



越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

A Hong Kong collective investment scheme under section 104 of the Securities and Futures Ordinance <chapter 571 of the Laws of Hong Kong>

Stock Code : 00405

ANNUAL REPORT
2018



VISION FOR
A STEADY FORTUNE

CONTENTS

GUANGZHOU



HANGZHOU



SHANGHAI



WUHAN





2	Profile of Yuexiu REIT	168	Consolidated Statement of Comprehensive Income
3	Unitholders Calendar	170	Consolidated Balance Sheet
4	Distribution	172	Distribution Statement
5	Performance Summary	174	Consolidated Statement of Net Assets Attributable to Unitholders and Changes in Equity
6	Chairman's Statement	175	Consolidated Statement of Cash Flows
15	2018 Business Review and Future Prospects	176	Notes to the Consolidated Financial Statements
25	Financial Review	235	Performance Table
32	Environmental, Social and Governance Report Summary	236	Five Year Financial Summary
33	Property Portfolio	237	Corporate and Investor Relations Information
76	Report of the Trustee		
77	Directors' and Senior Executives' Profiles		
84	The Leasing Agents		
86	Corporate Governance		
98	Connected Party Transactions		
116	Investor Relations		
118	Property Valuation Report		
163	Independent Auditor's Report		



PROFILE OF YUEXIU REIT

PROFILE OF YUEXIU REAL ESTATE INVESTMENT TRUST (“YUEXIU REIT”)

Yuexiu REIT is a Hong Kong real estate investment trust constituted by a trust deed entered into on 7 December 2005 (“Trust Deed”) between HSBC Institutional Trust Services (Asia) Limited as the trustee (“Trustee”) and Yuexiu REIT Asset Management Limited as the manager of Yuexiu REIT (“Manager”) as modified by a First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010 and Third Supplemental Trust Deed dated 25 July 2012 and made between the same parties. Yuexiu REIT was listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 21 December 2005 (“Listing Date”).

Yuexiu REIT’s property portfolio (“Properties”) consists of five commercial properties located in Guangzhou, one commercial property located in Shanghai, one commercial property located in Wuhan and one commercial property located in Hangzhou. Yuexiu REIT is the first listed real estate investment trust in the world which invests in real property in mainland of the People’s Republic of China (“PRC”).

UNITHOLDERS CALENDAR



UNITHOLDERS CALENDAR 2019-2020

**MAY
2020**

PAYMENT OF FINAL DISTRIBUTION FOR 2019

**FEBRUARY
2020**

ANNOUNCEMENT OF 2019 ANNUAL RESULTS

**OCTOBER
2019**

PAYMENT OF DISTRIBUTION FOR SIX-MONTH PERIOD ENDED 30
JUNE 2019

**AUGUST
2019**

PUBLICATION OF 2019 INTERIM REPORT

**MAY
2019**

PAYMENT OF FINAL DISTRIBUTION FOR 2018 AND ANNUAL GENERAL
MEETING

**APRIL
2019**

PUBLICATION OF 2018 ANNUAL REPORT



DISTRIBUTION

In accordance with the Trust Deed, Yuexiu REIT is required to distribute no less than 90% of Total Distributable Income to the Unitholders. The Manager also has the discretion under Yuexiu REIT's trust deed, where there are surplus funds, to distribute amounts in addition to that set out in the trust deed. At the time of announcing the distribution for any particular year, the Manager shall consider whether to exercise such discretion having regard to factors including but not limited to Yuexiu REIT's funding requirements, its earnings and financial position, its growth strategy, operating and capital requirements, surplus disposal proceeds, compliance with relevant laws, regulations and covenants (including existing limitations on borrowings as prescribed in the REIT Code), other capital management considerations, the overall stability of distributions and prevailing industry practice.

In light of the above, the Manager has determined that the final distribution to the Unitholders for the period from 1 July 2018 to 31 December 2018 ("2018 Final Period") will be approximately RMB0.1371 which is equivalent to HK\$0.1595 (2017: RMB0.1430 which is equivalent to HK\$0.1775) per Unit. Such final distribution per Unit is subject to adjustment once new units are issued to the Manager (in satisfaction of the Managers fees) prior to the record date for the 2018 Final Period distribution. A further announcement will be made to inform Unitholders of the final Distribution per Unit for the 2018 Final Period.

The final distribution for the 2018 Final Period, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2018 to 30 June 2018 ("2018 Interim Period") being approximately RMB0.1394 which is equivalent to HK\$0.1608 (2017: RMB0.1341 which is equivalent to HK\$0.1560) per Unit, represents a total distribution to each Unitholder for the period from 1 January 2018 to 31 December 2018 ("Reporting Year") of approximately RMB0.2765 which is equivalent to HK\$0.3203 (2017: approximately RMB0.2771 (which is equivalent to HK\$0.3335)).

The total distribution amount for the Reporting Year, being RMB849,537,000 (2017: RMB826,381,000), includes an amount of approximately RMB219,000,000 (2017: RMB171,000,000), that is capital in nature. The total distribution amount for the Reporting Year comprises the distributable amount calculated pursuant to the formula set out in the OC (being approximately RMB271,489,000) plus a further distribution of approximately RMB578,049,000 having regard to the abovementioned discretion of the Manager under Yuexiu REIT's trust deed to distribute excess amounts where it has surplus funds. Further details regarding the breakdown of the total distributable amount are set out in the Distribution Statement.

Distributions payable to the Unitholders will be paid in Hong Kong dollars. The exchange rate between the RMB and Hong Kong dollars adopted by the Manager is the average of central parity rate, as announced by the People's Bank of China, for the five business days preceding the date of declaration of distributions.

Yuexiu REIT aims at providing steady returns to its Unitholders derived from the gross income of its Properties. It has been distributing no less than 100% of Total Distributable Income for 13 consecutive years after listing in 2005.

DISTRIBUTION YIELD

Disregarding new units to be issued prior to the relevant record date with respect to the Manager's fees, Distribution per Unit ("DPU") for the Reporting Year is approximately HK\$0.3203 (2017: HK\$0.3335), of which approximately HK\$0.0655 (2017: HK\$0.0704) is attributable to capital items, represents a yield of approximately 6.4% (2017: 6.5%) per Unit based on the closing price of HK\$5.02 per Unit as at 31 December 2018 (2017: HK\$5.12).

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 12 April 2019. The register of Unitholders will be closed from 12 April 2019 to 13 April 2019, both days inclusive, during which period no transfer of units will be effected. In order to be qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 11 April 2019. The final distribution will be paid on 27 May 2019 to the Unitholders whose names appear on the register of Unitholders on 12 April 2019.

PERFORMANCE SUMMARY



The following is a summary of Yuexiu REIT's audited consolidated results (Note a) for the year ended 31 December 2018 together with comparative figures for the corresponding period in 2017:

(in Renminbi ("RMB"), unless otherwise specified)

	Financial Year ended 31 December 2018	Financial Year ended 31 December 2017	Increase/ (decrease)
Gross income (Note a)	2,031,876,000	1,853,899,000	9.60%
Net property income	1,468,590,000	1,314,104,000	11.76%
Profit after tax	966,519,000	1,437,095,000	(32.74)%
Earnings per unit - Basic	0.30	0.49	(38.78)%
Portfolio valuation (Note b)	33,970,000,000	32,246,000,000	5.35%
Net assets attributable to Unitholders per Unit	4.65	4.75	(2.11)%
Net assets attributable to Unitholders per Unit - Equivalent to HK\$	5.41	5.68	(4.75)%
Units issued (units)	3,106,450,427	3,014,285,896	3.06%
Total borrowings as a percentage of gross assets (Note c)	38.7%	36.0%	2.7 percentage points
Gross liabilities as a percentage of gross assets (Note d)	56.4%	56.4%	0.0 percentage points
Distribution			
Total distribution (including additional items)	849,537,000	826,381,000	2.80%
Distribution per Unit (HK\$)	0.3203	0.3335	(3.96)%

Note a: Revenue of Hangzhou Victory was recorded since 29 December 2018. Due to the disposal of Neo Metropolis, the revenue from Neo Metropolis was recorded up to 21 December 2018.

Revenue of Wuhan Properties was recorded since 22 December 2017.

Note b: Hangzhou Victory was newly acquired in 2018. Referring to the Announcement dated 23 December 2018 for details. As at 31 December 2018, the valuation of Hangzhou Victory was RMB601,000,000. Due to the disposal of Neo Metropolis in December 2018, its property valuation was not included in 2018 and 2017 Portfolio valuation respectively.

Note c: Calculation of Total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses.

Note d: Calculation of Gross liabilities based on total liabilities, excluding capitalization of debt-related expenses and net assets attributable to Unitholders.



CHAIRMAN'S STATEMENT

Dear Unitholders of Yuexiu REIT,

On behalf of the management team of Yuexiu REIT Asset Management Limited ("Manager"), the Manager of Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), I am very pleased to present to you the 2018 annual report of Yuexiu REIT.

LIN DELIANG
Chairman



RESULTS AND DISTRIBUTION

In 2018, Chinese economy maintained a steady progress, and the overall situation coincided with expectation. Yuexiu REIT continued to record good operating results with the portfolio of premium properties and excellent efforts made by all members of the management team, and all key operating indicators improved against unfavorable trend.

At the end of 2018, Yuexiu REIT had successfully disposed Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis") and acquired Hangzhou Victory Business Center Units, thereby further diversifying its existing portfolio of properties and geographic coverage. Currently, Yuexiu REIT owns eight properties include White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Guangzhou International Finance Center ("GZIFC"), which are located in Guangzhou, Yue Xiu Tower ("Yue Xiu Tower") which is located in Shanghai, Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain Carpark Spaces ("Wuhan Properties"), which are located in Wuhan, and Hangzhou Victory Business Center Units and certain Carpark Spaces ("Hangzhou Victory") which are located in Hangzhou, with a total rentable area of 632,915.1 sq.m., in which the area of ownership of good growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.7%

As at 31 December 2018, the occupancy rate of properties under Yuexiu REIT was satisfactory. The occupancy rate of the original four properties was 98.5%, the occupancy rate of GZIFC offices was 96.0%, the occupancy rate of the GZIFC Shopping Mall was 97.8%, the occupancy rate of Yue Xiu Tower was 97.3%, the occupancy rate of Yuexiu Fortune Center was 67.8%, the occupancy rate of Starry Victoria Shopping Center was 98.0% and the occupancy rate of Hangzhou Victory was 83.4%. During the Reporting Year, the total revenue of Yuexiu REIT was approximately RMB2,031,876,000, representing an increase of 9.6% as compared to RMB1,853,899,000 for the same period last year. All properties maintained stable operation and continued to improve steadily.

In 2018, Yuexiu REIT realized a total distributable income of approximately RMB849,537,000, representing an increase of approximately 2.8% as compared to the total distributable income of RMB826,381,000 for the same period last year. The policy of the Manager is to distribute 100% of the entire distributable income of the Reporting Year to the Unitholders. Each Unitholder will receive a distribution amount of approximately HK\$0.3203 per Unit, representing a decrease of approximately 3.96% as compared to the distribution amount of HK\$0.3335 for the same period last year. Based on the closing price of HK\$5.02 per Unit as at 31 December 2018, the rate of return was approximately 6.4%.





MARKET REVIEW

In 2018, variables, challenges, and uncertainties increased over those in the past given the surfacing of certain new changes in the global economic situations while the varied declining of the growth of major indicators in individual developed economies and emerging economies. Chinese economy achieved a stable growth amid an increasingly intensified and complicated external environment. Chinese economy performed within a reasonable range on a rapid development of new dynamics and achievement of the goal of financial deleveraging. According to the data released by the National Bureau of Statistics of China, the GDP of the PRC grew by 6.6% in 2018 year-on-year and the overall economy remained stable.

In recent years, Guangzhou has implemented the “Hub Plus” strategy to accelerate the construction of a hub network city, enhanced the energy level of the city as a portal hub and the vitality of the city. On the list of world-class cities for 2018 released by the Globalization and World Cities Research Network (GaWC), GaWC lifted the ranking of Guangzhou to Alpha, indicating that the city has become one of the tier-1 world-class cities, and implying its increasing international influence and presence. In 2018, Guangzhou was approved to be a national service-oriented manufacturing demonstration city. The modern service industry is becoming a new growth point of Guangzhou. Regional GDP of Guangzhou was approximately RMB2,285.935 billion, increased 6.2% year-on-year.

Yangtze River Economic Belt, which covers nine provinces and two cities (Jiangsu, Zhejiang, Anhui, Jiangxi, Hunan, Hubei, Sichuan, Yunnan, Guizhou, Shanghai and Chongqing), has now developed into one of the regions with the strongest comprehensive strength and the greatest strategic support in China. As the central city of the Yangtze River Delta Urban Agglomeration, Shanghai is playing an obvious central role. In 2018, Shanghai's national economy maintained an overall



stable yet progress and good momentum of development, demonstrating a stronger resilience and vitality. Its GDP was appropriately RMB3,267.987 billion, up 6.6% year-on-year, which was in line with the economic growth across the country.

Facing the increasingly downward pressure on the economy and fierce competition among cities, Wuhan's national economy showing a good development trend of "stable performance with a high opening, seeking progress while maintaining stability, and improving quality while maintaining speed." Among China's new tier-1 cities, Wuhan maintained its leading position regarding the growth rate of major economic indicators. In 2018, Wuhan achieved the year-on-year growth by 8.0% in its regional GDP, which amounted to approximately RMB1,484.729 billion, of which the service industry, with the strengthening of its dominated position, accounted for 54.6% of GDP, up 1.3 percentage points year-on-year. As the new kinetic energy accumulates quickly and the new industry grows fast, new business formats and models develop quickly.

As one of the most dynamic cities in China and even in the world, Hangzhou has developed into an international leading Internet-oriented city, and one of the few information economies focuses in China. Taking the path of "three integration", which combines digital industrialization, industry digitalization and city digitalization, Hangzhou has speeded up the shift from old momentum to the new dynamics, thus building the first digital economy city in China. In 2018, regional GDP of Hangzhou was approximately RMB1,350 billion, increased 7% year-on-year. Along with the stable growth of GDP, Hangzhou has been gradually increasing the proportion of the tertiary industry in its GDP. The service sector has become the key economic driver of the city. The contribution of the service sector to GDP growth exceeded 63%.



CHAIRMAN'S STATEMENT

In 2018, at the stage of a maturing and redevelopment market, the supply of new grade-A office buildings was very limited in Guangzhou. Mature office areas such as Zhujiang New Town and Tianhe Bei remained stable in their stocks. Only a small number of properties were supplied in Pazhou, an emerging business district. The total stock in the market increased slightly to 5,542,000 sq.m. The market demand for leasing was dynamic, and the ability to digest the stock was strong. The existing grade-A office stock in Zhujiang New Town continued to be absorbed, with the vacancy rate falling to 6.5% for seven consecutive quarters. High-quality projects in Zhujiang New Town attracted much attention, and the owners were actively willing to raise their rents, continuously pushing the overall rent up to RMB179 per sq.m. in the city. Regarding the closing of rental transactions, customers in finance, information technology, and professional service industries were active as those customers urgently need office spaces for their expansion and upgrading.

2018 saw the peak of supply in the office market in Shanghai, with a total stock rising to 6,682,000 sq.m. As the market was experiencing a diversified development, industries such as co-working space, technology, and new media have become emerging sources of demand for grade-A office buildings, with the aggressive expansion of co-working space operators in Shanghai. Shanghai is developing itself into a "global science and technology innovation center." The city ranked No. 2 in China in terms of the number of unicorn enterprises. Shanghai is very attractive for domestic and foreign companies engaged in technology and new media, and such companies have great potential for increasing the demand for grade-A office space.

Since the beginning of 2018, more than ten properties have been put into use in Wuhan office market, with the total market stock soaring to 5,263,000 sq.m. and overall vacancy rate rising to 35.8%, the whole market was in a cultivating and developing stage. During the year, obvious rental pressure weighed on the market in line with a large supply. Companies engaged in professional services, finance, real estate, and high technology became the pillars regarding rental demands in the grade-A office market in Wuhan.

In 2018, during the period of development, Hangzhou saw an increase of 519,000 sq.m in the supply in its grade-A office space market, with about 4,200,000 sq.m of office space stock and decline in the overall vacancy rate in the market. Despite the reorganization of P2P industry, the traditional financial industry still maintained stable in its demands for grade-A office space, and domestic financial service enterprises are still the engine driving the demand for grade-A office space in the city.

With respect to the clothing-related specialization marketplace, the prosperity index in the marketplaces rebounded across the country. Regarding the supply, the overheated investment in specialization marketplaces is gradually subsiding. The number of marketplaces that are commenced and operated has returned to a rational range. Competition in the industry was increasingly fierce, and market adjustments entered into a "deep water period". All specialization marketplaces can adjust their pace and change their strategies in time to actively cope with difficult objective environments and to improve their ability to resist risks.

In 2018, the continuous growth of the total population and household income made contributions to the development of the retail business of Guangzhou. As a number of high-quality shopping malls were launched successively, the total supply in the retail business market in Guangzhou reached 3,892,000 sq.m. As the new shopping malls belong to the new commercial district in the periphery of Guangzhou, they had limited impact on the lease of the core business district, which continues to warm up. In terms of rent, thanks to the improvement in the hardware of the shopping malls and the optimization of tenants, most of the shopping centers are adjusting their rents. By the end of the fourth quarter, the rent on the first floor of the premium shopping mall of the core district has risen to RMB787/sq.m./month. In 2018, Wuhan initiated its efforts to renovate high-quality retail property stock with a stable performance of the market overall, and didn't supply any new shopping space, but the vacancy rate continued to rise, and rents declined slightly and continued to be under pressure during the year.

Driven by the healthy market supply and demand, the development of Guangzhou international high-end hotels shows a good upward trend, both average room rate and occupancy rate for high-end international brand hotels in Guangzhou increased. For serviced apartments, there was no new supply during the whole year, the performance of the leasing market was stable. During the Reporting Year, Four Seasons Hotel and the Ascott Serviced Apartments continued to be leaders with benchmark positions in the industry in Guangzhou area, the average room rate, revenue per available room and customer satisfaction were all in top ranking among competitors. The average room rate in Four Seasons Hotel increased by 6.6% and revenue per available room increased by 6.0% on a year-on-year basis; the average room rate of the Ascott Serviced Apartments increased by 3.3% and revenue per available room increased by 3.2% on a year-on-year basis, with good performance in operating results.

As of December 2018, the average occupancy rate of high-end hotels market was 80.7%, an increase of 3.9 percentage points year-on-year, and the average daily room rate increased by 2.4% on a year-on-year basis to RMB1158.62 per room. For high-end serviced apartments, the high-end serviced apartments in Guangzhou recorded a slight increase in average room rate, and occupancy rate was basically flat year on year, however, a decrease in high-quality long-lease tenants, representing a stable and flat market performance. As of December 2018, average occupancy rate of high-end serviced apartments in Guangzhou was 86%, increased by 0.5 percentage point on a year-on-year basis, and an increase of 2% in average rental on a year-on-year basis.

BUSINESS OPERATING STRATEGIES

In response to the dynamic changes in the market, the Manager implemented proactive and flexible tenancy strategies to deeply tap into the commercial value of the properties, aiming at achieving long-term sustained business growth and stable rental returns.





CHAIRMAN'S STATEMENT

GZIFC, Fortune Plaza, City Development Plaza, Shanghai Yuexiu Tower, and Wuhan Yuexiu Fortune Center under Yuexiu REIT maintained stable growth in operating performance. In particular, fully leveraging its advantage as a super high-rise landmark, GZIFC promoted the six-star "double supreme service" for the supreme property and the supreme project. By providing quality office environment and service experience, GZIFC focused on world-renowned enterprises and valued customers and maintained its leading position in rental rate in the region. Fortune Plaza and City Development Plaza strove to effectively manage the matured leases and improved rental rates by optimization of products. Shanghai Yuexiu Tower adopted flexible, practical rental strategies to expand the customer base. Wuhan Yuexiu Fortune Center accomplished its objective of increasing occupancy rate by continued efforts in acquiring customers. Hangzhou Victory Center eyed future rental rate rise by reasonably planning rental periods and leveraged marketing campaigns to enhanced project influence.

Concerning the retail shopping malls, the "GZIFC Shopping Mall" of the Guangzhou International Finance Center continued to increase support for commission tenants, improve the project operating income, actively adjust certain poor management or risk tenants, carry out cooperation among different industries and flash mobs, increase publicity and promotion, improve the project visibility and effectiveness of activities. Victory Plaza "VT101" mall excavated the multi-channel operation, integrated the high quality financial resources, enhanced the main tenant sales volume, through continuous promotion campaigns, to active shopping operating atmosphere and increase the passenger flow, enhance the consumer's bag rate. The Starry Victoria Shopping Centre takes advantage of the lease expiration opportunity to further optimize the tenant structure and portfolio, thereby enhancing the rental value of the project.

Concerning the specialized apparel market, the Manager continued to implement the "double-hundred plan" and replace tenants, boost business confidence. The Manager also enhanced the influence of projects and products by various measures including re-planning floor management positioning, effectively renewing matured lease units, and expanding marketing channels.

Concerning the hotel and serviced apartments, the Manager continued to update hardware and increase investment in high-tech hardware products by improving the five-year capitalized transformation plan, thereby enhancing the competitiveness of the hotel hardware products in responding to the impact of market entry of the competitive projects. The Manager also strengthened marketing as well as communication and supervision in businesses including business meeting, training, wedding banquet and exhibition. Meanwhile, the Manager integrated owners' resources to intensify interaction of internal hotels, apartments, office buildings, retail and property companies in relation to business operation. Moreover, the Manager held regular meetings with the management parties, shared analysis results of owners and urged the management parties to take measures to solve existing problems through enhancing the monitoring and analysis of key indicators of asset management. The Manager enhanced the management and control of labor cost of the hotels, promoted the hotels to adopt a delayering organization and take the measure of dynamically adjusting personnel arrangement to lower the rate of labor cost. The Manager continued to implement the energy-saving projects to further reduce energy consumption effectively.

INVESTMENT AND FINANCIAL STRATEGIES

In 2018, the Manager continued to implement proactive and prudent investment strategies. In the second half of 2018, the Manager successfully completed disposal of Yue Xiu Neo Metropolis Plaza and the acquisition of Hangzhou Victory Business Center, through the disposal of project with relatively small growth potential and the layout of more promising properties, thereby realizing capital recycling. The Manager also continued to seek quality projects that were in line with the investment strategies of the Yuexiu REIT and seized investment opportunities with growth potential.

Yuexiu REIT implemented stable and prudent financial policies, the ratio of total borrowings to total assets of the Yuexiu REIT as at 31 December 2018 was maintained at the level of 38.7%, which was well below the upper limit of 45% as stipulated in the REIT Code. The Manager paid close attention to the changes in interest rates and exchange rates, actively expanded the capital channels, made reasonable planning for overseas loans which fall due in future and sought to obtain an appropriate average finance cost rate.

The Manager continued its work in maintaining a stable credit rating of the Yuexiu REIT. Based on the confidence in Yuexiu REIT's relatively strong operating capability and stable cash flow expectations, the rating agency granted Yuexiu REIT an investment-grade rating with a stable outlook.

ASSET ENHANCEMENT STRATEGIES

The Manager continued to implement strategic asset enhancement plan and explore opportunities for asset enhancement by reviewing the property portfolio of the Yuexiu REIT on a regular basis, thereby maintaining market competitive advantages and increasing returns of the projects. Meanwhile, the Manager was also committed to optimizing the tenant mix, improving and maintaining good customer relationship continuously, increasing business solicitation by developing multi-channels for solicitation of business resources, and achieving a continuous enhancement in the rental value of properties of Yuexiu REIT.

PROSPECTS

Looking ahead to 2019, the global economic growth will be likely to slow down in line with the varied economic growth from countries and heightened political uncertainties. It is expected that the US and China will achieve relatively acceptable results through their negotiations on trade tensions. Adhering to the core macro-management idea of "stability", China's economic decision makers will further shift its monetary management from so-called stable neutrality to reasonable easing. A more positive fiscal policy will also be a policy direction for the economic decision makers in 2019.

Guangzhou will actively leverage the core driving force of Guangdong-Hong Kong-Macao Greater Bay Area, emphasize the establishment of the Guangzhou-Shenzhen-Hong Kong-Macao Science and Technology Innovation Corridor, promote science and technology innovation planning, and launch many large-scale transportation projects. Guangzhou also strives to develop itself into an international comprehensive transportation hub by 2020 and a global transportation hub by 2035. Guangzhou will further accelerate the transformation of new and old kinetic energy, form a modern industrial system supporting high quality development, which will become a new driving source to lead the development of Guangzhou. Regarding the grade-A office buildings, it is expected that the supply of new office spaces will rebound in 2019, and will reach its peak in 2020 and 2021. Emerging business districts such as Pazhou and the International Financial Town will become the largest source of the new supply. Guangzhou is expected to have a rally in the overall vacancy rate, leading to a slow down in the overall rent increment.

With the advancement of the construction of the Greater Bay Area, the retail property market will become more prosperous in Guangzhou. The trend of demand exceeding the supply will emerge. In 2019, there will be approximately 370,000 sq.m. of new office spaces on the market. While core business circles maintains a high rental, the non-core business circles present a great potential for rental hikes.



CHAIRMAN'S STATEMENT

Although being scheduled to open in 2018, most of the high-end hotels and serviced apartments delayed their opening timetables into 2019. This will intensify market competition, resulting in a new round of shuffle in the high-end hotel and apartment market. However, affected by such positive factors as favorable policies for the Guangdong-Hong Kong-Macao Greater Bay Area and the cease-fire or even end of the trade war between the U.S. and China, we anticipate having a greater yet stable demand for high-end hotels and tourism in Guangzhou.

Shanghai is the core city of the world-class urban agglomeration in the Yangtze River Delta. According to the report of Shanghai Master Plan 2017-2035, Shanghai will establish the basic framework of a science and technology innovation center with global influence by 2020, and will become an international economic, financial, trading, and shipping center and a modern international socialism metropolis. In 2019, Shanghai will strengthen and enhance the real economy, and speed up the implementation of industrial strategies including the integrated circuit, artificial intelligence and bio-medicine. The supply of Grade-A office buildings in Shanghai in 2019 will mainly come from non-central business districts. Rental in the city is still expected to rise steadily on strong demands. However, rental varies depending on market segments, and the rental gap between the central business district and the non-central business district will continue to exist in the next three years.

Boasting outstanding geographical advantages, Wuhan is the only city with a population of over 10 million and GDP of more than RMB1 trillion in central China and the middle midstream of the Yangtze River. According to the Implementation Plan for Developing Wuhan into a National Central City, Wuhan will take three steps to develop itself into a national central city. Such steps include: to basically establish the framework by 2021, to preliminarily develop Wuhan into a national central city by 2035, and into the world highlight city with international influence, global competitiveness and sustainable development capability by 2049. It is expected that the supply of office buildings in Wuhan will continue to surge in the future. The situation that the supply exceeds the demand will cause the continuous high vacancy rate, and the inhibited rental growth. However, as Wuhan upgrades and adjusts its industrial structure and continuously improves its influence, the rental demands for grade-A office spaces are expected to become increasingly active. With respect to retail business, office supply in 2019 will focus on Wuguang Commercial Circle. Meanwhile, the emerging business circle will also promote the development of the retail market of the city, leading to a multi-center development pattern.

Urban energy level of Hangzhou is still on the rise. Leveraging the Asian Games, the cityscape and infrastructure will see a qualitative leap. It is anticipated that in the next three years, annual average net absorption will be 211,000 sq.m. in the grade-A office market of Hangzhou. Net absorption and vacancy rate vary significantly with the volume of the new supply. Qianjiang New Town is gradually becoming one of the first choices for more and more new enterprises in Hangzhou benefiting from its premium geographical location, high traffic convenience and good quality of the new buildings.

We are cautiously optimistic in our belief that we are benefiting from the steady growth of the Chinese economy, on the basis of our premium portfolio of properties coupled with the professional management team of Yuexiu REIT, through implementing proactive and prudent leasing strategies complemented with effective property appreciation measures to proactively plan debt restructuring, and opening up financing opportunities of capital markets to effectively reduce finance costs, aiming at continuously generating stable returns for the Unitholders.

APPRECIATION

We would like to take this opportunity to express our sincere gratitude to the Board of Directors, senior management and all staff for their hard work in the development of Yuexiu REIT, and our heartfelt thanks to the Unitholders, tenants and business partners for their strong support for Yuexiu REIT.

LIN Deliang

Chairman

Hong Kong, 25 February 2019

2018 BUSINESS REVIEW AND FUTURE PROSPECTS



BUSINESS REVIEW

MAINTAINING REIT'S LONG-TERM DEVELOPMENT BY ASSETS TRANSFER AND STRATEGIC ACQUISITION AND DISPOSAL

At the end of 2018, Yuexiu REIT sold Yuexiu Neo Metropolis for RMB1,178 million at a premium of approximately 5.8% over the assessed price. Meanwhile, as a replacement, Yuexiu REIT acquired Hangzhou Victory Business Center Tower 2 and 315 underground parking lots, thereby officially entering Hangzhou market. The acquisition of Hangzhou Victory Business Center achieved a geographical diversification of its nationwide portfolio layout, further reducing its dependence and concentration risks in Guangzhou area. Upon the acquisition, the distribution of the overall property portfolio of Yuexiu REIT covers Guangzhou, Shanghai, Wuhan, and Hangzhou, among which the proportion of Guangzhou Properties dropped from 68.7% to 63.8%.

In 2018, Chinese economy maintained a stable performance with good momentum. Yuexiu REIT continued to implement proactive leasing and asset management strategies. Its properties kept on achieving excellent results in performance, many operation indicators rose against unfavorable trend, and competitiveness of properties further increased, establishing a solid foundation for income growth and sustainable development in the future for Yuexiu REIT.

Under the concerted efforts of the Manager's team, Yuexiu REIT and the Manager were presented with a number of community awards in 2018. Among the awards, Yuexiu REIT was the winner of Main Board and Extraordinary Enterprise Award under "Hong Kong Outstanding Enterprise 2018" presented by Economic Digest, "QuamIR Awards 2017– The Most Remarkable Investor Relations Recognition - Main Board Category" presented by Quamnet in Hong Kong. The Manager will continue to improve internal management mechanism, enhance corporate governance standard persistently, with a view to bring more benefits to investors and Unitholders. In October 2018, Guangzhou International Finance Center was awarded LEED V4 Platinum Certification, which is the first super skyscraper in mainland China to receive such an award. In July 2018, Yuexiu Fortune Centre won the "2018 Award for The Most Influential Urban Landmark."

PROPERTY PORTFOLIO AND VALUATION

As at 31 December 2018, Yuexiu REIT's portfolio of properties consisted of eight properties, namely, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, which are located in Guangzhou; Yuexiu Tower, which is located in Shanghai; Wuhan Properties, which are located in Wuhan; and Hangzhou Victory, which are located in Hangzhou. The aggregate area of ownership of the properties was approximately 969,488.8 sq.m. and the total rentable area was 632,915.1 sq.m. (excluding 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and 7,752.5 sq.m. other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower; 62,785.8 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and 17,663.6 sq.m. of parking space of Hangzhou Victory, and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas), of which the area of ownership of growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.7%.



2018 BUSINESS REVIEW AND FUTURE PROSPECTS

PARTICULARS OF THE PROPERTIES ARE AS FOLLOWS:

Property	Type	Location	Year of Completion	Area of Ownership	Total Rentable Area	Property Occupancy Rate ⁽¹⁾	Number of Lease ⁽¹⁾	Unit Rent ⁽¹⁾
				(sq.m.)	(sq.m.)			(RMB/sq.m./month)
White Horse Building	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	100.0%	908	627.9
Fortune Plaza	Grade A office	Tianhe District, Guangzhou	2003	41,355.2	41,355.2	98.7%	74	154.1
City Development Plaza	Grade A office	Tianhe District, Guangzhou	1997	42,397.4	42,397.4	96.1%	81	137.0
Victory Plaza	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	99.4%	29	270.4
GZIFC	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9	96.4%	281	215.2
Including:	Grade A office			267,804.4	183,539.6 ⁽²⁾	96.0%	231	232.5
	Retail shopping mall			46,989.2	46,727.3	97.8%	50	148.3
	Hotel			91,460.9 ⁽³⁾	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Yue Xiu Tower	Commercial complex	Pudong New District, Shanghai	2010	62,139.4	46,026.3 ⁽⁴⁾	97.3%	109	272.0
Wuhan Properties	Commercial complex	Qiaokou District, Wuhan		248,194.2	172,993.3	75.4%	190	80.6
Including:	Grade A office		2016	139,937.1	129,446.7 ⁽⁵⁾	67.8%	85	94.5
	Retail shopping mall		2015	45,471.4	43,546.6 ⁽⁶⁾	98.0%	105	52.1
	Commercial parking space		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking space		2014-2016	15,602.8	N/A	N/A	N/A	N/A
Hangzhou Victory	Grade A office	Jiangan District, Hangzhou	2017	40,148.4	22,484.8 ⁽⁷⁾	83.4%	21	111.5
Total				969,488.8	632,915.1	90.8%	1,693	214.4

Notes:

- (1) As at 31 December 2018;
- (2) Excluding 76,512.3 sq.m. of parking space area and 7,752.5sq.m. of other ancillary facilities area;
- (3) Including 2,262.0 sq.m. of hotel ancillary facilities and refuge floor;
- (4) Excluding 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor);
- (5) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area;
- (6) Excluding 1,924.8 sq.m. of common facilities area;
- (7) Excluding 17,663.6 sq.m. of parking space area.

SEGMENTS OF THE PROPERTIES ARE AS FOLLOWS:

Rental Property	Area of Ownership (sq.m.)	Rentable Area (sq.m.)	Occupancy Rate ⁽¹⁾	Percentage point increase as compared to the same period in 2017	Unit Rent (VAT exclusive) ⁽¹⁾ (RMB/sq.m./month)	Percentage increase as compared to the same period in 2017	Operating Income ⁽²⁾ (RMB'000)
Office	593,781.8	465,250.1 ⁽³⁾	87.9%	4.9	184.3	0.7%	945,942
Retail	120,158.7	117,536.1	98.3%	6.2	141.4	7.6%	175,970
Wholesale	50,199.3	50,128.9	100.0%	0.1	627.9	0.3%	367,445

Notes:

- (1) As at 31 December 2018;
- (2) For the year ended 31 December 2018;
- (3) Excluding 76,512.3 sq.m. of parking space area of GZIFC; 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor) of Yue Xiu Tower; 10,490.3 sq.m. of specific purpose area (common facilities area and refuge floor) of Wuhan Yuexiu Fortune Centre, and 17,663.6 sq.m. of parking space area of Hangzhou Victory.

Operational Property	Type	Commencement of Operation	Area of Ownership (sq.m.)	No. of Units (units)	Average Occupancy Rate ⁽¹⁾	Average Daily Rate ⁽¹⁾ (RMB/night)
Four Seasons Hotel Guangzhou	Five star hotel	August 2012	91,460.9	344	80.9%	2,030
Ascott Serviced Apartments GZIFC	High-end serviced apartments	September 2012	51,102.3	314	94.0%	1,007

Notes:

- (1) From 1 January 2018 to 31 December 2018;
- (2) Both hotel and serviced apartments are entrusted operation.



2018 BUSINESS REVIEW AND FUTURE PROSPECTS

PROPERTY VALUATION

On 31 December 2018, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Savills Valuation and Professional Services Limited ("Savills"), an independent professional valuer, and the revalued market value was approximately RMB33.97 billion.

The following table summarizes the valuation of each of the Properties as at 31 December 2018 and 31 December 2017:

Name of Property	Valuation as at 31 December 2018 RMB million	Valuation as at 31 December 2017 RMB million	Increase/ (Decrease) %
White Horse Building	5,061	4,906	3.2%
Fortune Plaza	1,197	1,150	4.1%
City Development Plaza	975	935	4.3%
Victory Plaza	936	904	3.5%
GZIFC	18,366	17,734	3.6%
Yue Xiu Tower	3,149	3,030	3.9%
Wuhan Properties	3,685	3,587	2.7%
Sub-total	33,369	32,246	3.5%
Hangzhou Victory	601	N/A ⁽¹⁾	N/A
Total	33,970	32,246	5.3%

Note:

- (1) According to the acquisition announcement, as at 30 September 2018, the valuation of Hangzhou Victory was RMB600,000,000.
- (2) According to the disposal announcement, as at 30 September 2018, the valuation of Neo Metropolis was RMB1,113,000,000 (31 December 2017: RMB1,110,000,000).

LEASE EXPIRY OF THE PROPERTIES

In respect of the rental area in the next five years and beyond, ratios of lease expiry of Yuexiu REIT Properties each year will be 21.4%, 19.0%, 25.9%, 15.8% and 17.9% respectively. In respect of basic monthly rental, ratios of lease expiry each year will be 33.2%, 16.8%, 23.1%, 15.0% and 11.9% respectively.

REVENUE CONTINUED TO INCREASE

In 2018, the properties of Yuexiu REIT recorded total revenue of approximately RMB2,031.9 million, representing an increase of 9.6% as compared to the same period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC, Yuexiu Tower, Wuhan Properties and Hangzhou Victory accounted for approximately 18.1%, 3.7%, 3.3%, 3.5%, 3.4%, 54.8%, 7.0%, 6.2% and 0.0% respectively of the total revenue.

No bad debt was recorded during the reporting period. The following table sets out a comparison of revenue in respect of the Properties between the reporting period and the same period of the previous year:

Name of Property	Revenue in 2018 RMB million	Revenue in 2017 RMB million	Increase/ (Decrease) as compared to 2017 RMB million	Increase/ (Decrease) %
White Horse Building	367.5	366.1	1.4	0.4%
Fortune Plaza	75.5	71.7	3.8	5.3%
City Development Plaza	67.1	64.4	2.7	4.2%
Victory Plaza	70.8	66.8	4.0	6.0%
Neo Metropolis	69.5 ⁽¹⁾	70.2	(0.7)	(1.0)%
Sub-total of the original properties	650.4	639.2	11.2	1.8%
GZIFC	1,112.1	1,073.5	38.6	3.6%
Yue Xiu Tower	142.8	139.2	3.6	2.6%
Wuhan Properties	126.4	2.0 ⁽²⁾	124.4	6,220.0%
Sub-total	2,031.7	1,853.9	177.8	9.6%
Hangzhou Victory	0.2 ⁽³⁾	N/A	N/A	N/A
Total	2,031.9	1,853.9	178.0	9.6%

Note:

- (1) Revenue from Neo Metropolis was recorded for the period from 1 January 2018 to 21 December 2018;
- (2) Revenue from Wuhan Properties was recorded since 22 December 2017.
- (3) Revenue from Hangzhou Victory was recorded since 29 December 2018.



2018 BUSINESS REVIEW AND FUTURE PROSPECTS

The following table sets out a comparison of net property income in respect of the Properties between the reporting period and the same period of previous year:

Name of Property	Net Property Income in 2018 RMB million	Net Property Income in 2017 RMB million	Increase/ (decrease) as compared to 2017 RMB million	Increase/ (decrease) %
White Horse Building	308.4	307.8	0.6	0.2%
Fortune Plaza	62.8	59.4	3.4	5.7%
City Development Plaza	55.9	53.4	2.5	4.7%
Victory Plaza	58.9	55.4	3.5	6.3%
Neo Metropolis	57.8 ⁽¹⁾	57.4	0.4	0.7%
Sub-total of the original properties	543.8	533.4	10.4	2.0%
GZIFC	688.1	652.5	35.6	5.5%
Yue Xiu Tower	130.9	126.4	4.5	3.6%
Wuhan Properties	105.6	1.8	103.8	5,766.7%
Sub-total	1,468.4	1,314.1	154.3	11.7%
Hangzhou Victory	0.2 ⁽²⁾	N/A	N/A	N/A
Total	1,468.6	1,314.1	154.3	11.7%

Note:

(1) Net Property Income from Neo Metropolis was recorded for the period from 1 January 2018 to 21 December 2018;

(2) Net Property Income from Hangzhou Victory was recorded since 29 December 2018.

GZIFC - STABILIZING CORE CUSTOMERS OF OFFICE BUILDINGS AND PRELIMINARY RESULTS ACHIEVED ON BUSINESS FORMAT ADJUSTMENT OF THE SHOPPING MALL

Due to the macro-economy and state's financial control, demand for renting Grade A office buildings in Guangzhou fluctuated by rising initially and declining subsequently during 2018. The Manager sharply identified such market movement, adjusted its leasing strategies in a timely manner targeting at the peak of expiring lease contracts of GZIFC, customized renewal plans based on customer needs, effectively avoided the loss of key customers, and achieved an annual renewal rate reaching 87.2%. The Manager adopted a proactive control in operational risks of GZIFC. For some tenants who were affected by financial policies showing potential lease termination intent or those who were not stable in their operations, the Manager built up customer reserves and carried out lease promotion in advance, thus mitigated the abnormal fluctuation in the rental rate of the property. At the same time, it continued to optimize the tenant structure, successfully introduced well-known tenants such as "China Merchants Ping An AMC" and consulate by leveraging the property's advantages as a city landmark, providing considerate service experience and a good market reputation, as well as supporting well-known enterprises to realize internal rent space expansion.

In order to better match up to the landmark image of “GZIFC Shopping Mall” and improve its brand influence, the Manager was committed to optimizing the merchant structure of “GZIFC Shopping Mall” in 2018, and enriching the operation format and upgrading the brands located in the mall. In addition to “NIO House”, which opened at the beginning of the year, to provide customers with a more diversified shopping experience, GZIFC Shopping Mall also introduced six brand merchants of various industries such as light meals, hairdressing, pharmacy and finance during the year. The brand richness of the mall was further enhanced, with the average increase in rental contract reaching 26%. The Manager continuously innovated marketing methods, vigorously boosted the shopping mall’s customer flow, and promoted member viscosity and consumption transformation through Key Opinion Leader (KOL) cultivation, member circle management and precise marketing guidance.

Guangzhou’s international high-end brand hotels have benefited from healthy market supply and demand, showing a sound upward trend, with the average room price and occupancy rate showing concurrent growth. For serviced apartments, there was no new supply during the whole year, and the performance of the leasing market was stable. Through the continuous implementation of a cooperative and mutually beneficial merchant supervision system, the Manager supervised and managed the operation of Four Seasons Hotel and the Ascott Serviced Apartments effectively. Moreover, the Manager continued to strengthen operation supervision and cost control, and changed from analysis of operation indicators to analysis of asset efficiency indicators, focused on details of customer service quality, monitored Four Seasons Hotel and the Ascott Serviced Apartments to improve service standards and enhance operating income. During the Reporting Year, Four Seasons Hotel and Ascott Serviced Apartments continued to be leaders with benchmark positions in the industry in Guangzhou area, the average room rate, revenue per available room and customer satisfaction were all in top ranking among competitors. The average room rate in Four Seasons Hotel increased by 6.63% and revenue per available room increased by 5.99% year-on-year; the average room rate of Ascott Serviced Apartments increased by 3.34% and revenue per available room increased by 3.18% year-on-year, with good performance in operating results. As of December 2018, the average rental rate of high-end hotels in Guangzhou was 80.7%, increased 3.9 percentage points year-on-year, and the average daily price increased 2.4% to RMB1,158.62 per room. In terms of high-end service apartments, the average housing price of high-end service apartments in Guangzhou increased slightly, the rental rate was basically flat year-on-year, high quality and long-term customers reduced, and the market performance was stable and flat. As of December 2018, the average occupancy rate of high-end serviced apartments in Guangzhou was 86%, increased 0.5 percentage point year-on-year, and average rent increased 2% year-on-year.

WUHAN PROPERTIES - FULLY PROCEEDING WITH LEASING PROMOTION OF OFFICE BUILDINGS AND CONTINUOUSLY OPTIMIZING TENANTS OF SHOPPING MALLS

In the second half of 2018, numerous projects entered Wuhan’s Grade A office building market, pushing the total stock in the market to 5.263 million sq.m. and the overall vacancy rate to 35.8%. The Manager actively responded to market challenges, vigorously expanded leasing channels, and carried out project promotion and roadshows for a number of intermediary agencies in Wuhan, increasing the breadth and depth of intermediary channel cooperation. At the same time, it strengthened the two-way communication with co-working and incubator enterprises, explored new channel resources and sought for potential customers. The Manager also took initiative to improve supporting service facilities. In July, the Yuexiu Fortune Center - airport/high-speed railway station line was officially opened to build Wuhan’s first operation line between the Grade 5A office buildings to the airport/high-speed railway station, which in combination with the advertisement made in high-speed railway media and online media, helped Wuhan Yuexiu Fortune Center win Boao “2018 Most Influential City Landmark Award” and the project’s influence was further expanded.



2018 BUSINESS REVIEW AND FUTURE PROSPECTS

Due to the unfavorable environment of continuous enclosure of municipal projects, the Manager successfully introduced “Zhongbai Life Theater” supermarket to Starry Victoria Shopping Centre to be officially opened within the year. It also actively promoted the optimization of tenant structure and introduced a number of retail apparel brand merchants, thus greatly improving the shopping atmosphere of the mall. By the end of 2018, the overall merchant opening rate of the shopping mall reached more than 97%, with an average daily customer flow of 26,000 person-times. The commercial value of the shopping mall and its ability to provide supporting services in the community continued to improve.

WHITE HORSE BUILDING - “DOUBLE-HUNDRED PLANS” ACHIEVED EXPECTED RESULTS, AND UPGRADE AND TRANSFORMATION LED TO NEW GROWTH

In 2018, the Manager fully implemented the “Double-Hundred Plans” (introducing 100 premium brand customers and supporting 100 internal leading merchants), increased business exchanges with a number of famous clothing distribution centers across mainland China, reserved for high-quality customer resources, and introduced renowned brands to White Horse Building at proper timing. Meanwhile, various effective management support measures were implemented to significantly enhance the brand image of White Horse Building’s existing merchants and strengthen the influence of clothing products through participating in well-known industry activities and different marketing promotions such as apparel exhibition fairs and Guangzhou Export Commodities Fair. The confidence of merchants and purchasers were boosted, and the customer flow and transaction volume increased significantly. The Manager also continued pushing forward the renovation of the floors, successfully completed the upgrading and improvement of the public areas on the fifth floor, comprehensively improved the business and shopping environment, and took advantage of the opportunity of the floor renovation to introduce high-quality customers and designer brands to the building, which enriched the categories and original design features of the fifth floor, and enhanced the overall competitiveness of White Horse Building.

YUEXIU TOWER - ATTRACTING GROWTH CUSTOMERS AND FILLING IN INDUSTRY GAPS

The Manager actively responded to the state’s financial control policies, took initiative to terminate lease with risky tenants engaged in the P2P business, adopted flexible leasing schemes, and introduced customers with sustained and high growth. At the same time, it made full use of the advantages of integrated operation and management, and leveraged its sound relationship with agencies to stand out in the competition with benchmarking projects, and successfully introduced the media and banking customers for the first time to the industry structure of the building, further stabilizing its tenant structure.

FORTUNE PLAZA AND CITY DEVELOPMENT PLAZA - EXPLORING INTERNAL RESOURCES TO FACILITATE TRANSACTIONS AND ATTRACTING EXTERNAL RESOURCES TO INTRODUCE NEW CUSTOMERS

The Fortune Plaza and the City Development Plaza are both located in traditional office building districts. Due to the downturn of the real economy, the decline of tenant stability and the increased competition from new office buildings in 2018, the operation of the two office buildings were confronted with serious challenges. The Manager actively responded and mitigated the risks, and successfully leased the vacant offices of the buildings by further exploring internal resources and attracting external merchants; meanwhile, it took the opportunity of tenant withdrawal to regain the initiative out of the passive position, successfully introduced a number of industry-leading enterprises, stabilized the plaza’s operation, and laid a solid foundation for their future development.

VICTORY PLAZA - INTEGRATING RESOURCES TO PROMOTE SALES AND OPTIMIZING BRANDS TO INCREASE OPERATING INCOME

The Victory Plaza leveraged the geographical advantages of Tianhe business area and fully integrated internal and external resources. On the one hand, it held large-scale campaigns jointly with a number of financial institutions, and on the other hand, it achieved sound interaction with internal customers like "McDonald's" and "Uniqlo". Under the joint impetus of nearly 80 theme events and member activities held throughout the year, the plaza's customer flow increased significantly, with the annual customer flow increased by 24% and the business performance of the anchor tenant "Uniqlo" increased by 5.8% year-on-year. The Victory Plaza also attached importance to customer opinions to effectively improve consumer satisfaction with shopping experience through measures such as optimizing the plaza's guide visual system, providing mother and baby lounges, and improving quality in cleanliness. Benefiting from the improvement of retail atmosphere, Victory Plaza continued to optimize its brand mix, actively terminated lease with poorly operating merchants, introduced famous catering brands, and successfully renewed the lease with key tenants such as "China Merchants Bank" and "Huawei Experience Store", all of which achieved favourable rental prices.

HANGZHOU VICTORY - SUCCESSFULLY SIGNING CONTRACTS WITH VALUED CUSTOMERS AND EFFECTIVELY INCREASING PROPERTY RENTALS

In the second half of 2018, along with continuous implementation of the state's deleveraging financial policy, P2P platforms suffered from incessant cash flow disasters. Hangzhou Victory Business Center overcame the plight of shrinking actual demand in the market, made great efforts to break through the bottleneck of leasing promotion and successfully introduced high-rental customers such as "Qiantang Smart City" and "Qianyun Community". The newly signed rentals increased by more than 18% year-on-year.

ACTIVE PROMOTION OF ASSET APPRECIATION PROJECTS TO ACHIEVE VALUE PRESERVATION AND APPRECIATION OF PROPERTIES

In 2018, the Manager continued to carry out a number of asset renovation and upgrading projects, among which the projects completed in relation to GZIFC included: increasing the number of freight passages for office customers, providing drainage and floor drain for elevator pits and pipe wells, upgrading the fire protection system, upgrading lobby image and safety of the office buildings, adding glass doors on the first floor lobby as well as completing facilities renovation on 1F and 103F of the Four Seasons Hotel, completing image upgrade for Ascott Serviced Apartment, and upgrading the power supply cable on the north wing of Ascott Serviced Apartment. In addition, the Manager also completed the renovation of the standard floors of Fortune Plaza and the water supply pipeline of the water supply and drainage system, the replacement of the domestic water supply pipeline of the City Development Building and the renovation of the public areas on its 6th, 27th and 28th floors, the image improvement of the public areas on the 5th floor of White Horse Building, the repair of the hollow ceramic tiles on the walls of the public toilets of Shanghai Yuexiu Tower and the renovation of the first-level biochemical treatment of domestic sewage, as well as the replacement of the logo of Yuexiu REIT in Wuhan Properties and the multi-purpose joint adjustment and environmental improvement for the third floor of Hall A of Wuhan Properties. The project cost exceeded RMB30 million, improving the projects' operating efficiency and business environment on a continuous basis.

In 2019, the Manager plans to invest in a number of asset renovation projects concerning the GZIFC, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Shanghai Yuexiu Tower in order to achieve the goals of preserving and increasing the value of Yuexiu REIT's assets.



2018 BUSINESS REVIEW AND FUTURE PROSPECTS

DEBT REFINANCING AT MATURITY TO EFFECTIVELY REDUCE FINANCING COST

By the end of 2018, the Manager effectively managed the maturing debt, successfully issued USD400 million bonds and a HK\$2.8 billion loan, and reduced the financing cost by optimizing the financing plan and replacing the USD 284 million loans refinanced with Hong Kong dollar. After four interest rate hikes during 2018, the growth of HIBOR and LIBOR were 1.05 percentage points and 0.94 percentage points year-on-year, respectively. The average financing cost rate of Yuexiu REIT was 4.04% by the end of 2018, up 0.88 percentage point from 3.16% at the beginning of the year. In terms of foreign exchange management, due to the devaluation of RMB, the accumulated net exchange loss for the whole year was RMB506 million, the fair value gain of hedging products was RMB57 million, and the net loss for the whole year was RMB449 million (2017 net gain: 276 million). Certain proceeds received from the sale of Yuexiu Neo Metropolis were used as the deferred payment for the acquisition of Wuhan Properties, effectively reducing Yuexiu REIT's liabilities and playing a positive role in maintaining Yuexiu REIT's rating.

FINANCIAL RESULTS

Both rental income and net property income of Yuexiu REIT were higher than those in 2017. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2018 RMB'000	2017 RMB'000	Increase/ (Decrease) %
Gross income	2,031,876	1,853,899	9.6%
Hotel and serviced apartments direct expenses	(313,447)	(311,233)	0.7%
Leasing agents fees	(47,002)	(40,471)	16.1%
Property related taxes (Note 1)	(194,940)	(177,669)	9.7%
Other property expenses (Note 2)	(7,897)	(10,422)	(24.2)%
Total property operating expenses	(563,286)	(539,795)	4.4%
Net property income	1,468,590	1,314,104	11.8%
Withholding tax	(58,277)	(56,581)	3.0%
Depreciation and amortisation	(129,572)	(145,776)	(11.1)%
Manager's fees	(147,263)	(133,836)	10.0%
Trustee fees	(10,710)	(10,230)	4.7%
Other trust expenses (Note 3)	(3,750)	(22,445)	(83.3)%
Total non-property expenses	(349,572)	(368,868)	(5.2)%
Net profit before finance expenses, finance income and income tax	1,119,018	945,236	18.4%
Finance income	58,253	573,527	(89.8)%
Finance expenses	(1,008,160)	(366,989)	174.7%
Net profit before income tax	169,111	1,151,776	(85.3)%
Income tax expense	(458,369)	(277,544)	65.2%
Net (loss)/profit after income tax before fair value gain on investment properties, other expenses in relation to the acquisition of subsidiaries, and fair value (loss)/gain on derivative financial instruments and gain on disposal of subsidiaries	(289,258)	874,232	(133.1)%
Fair value gain on investment properties	905,159	885,792	2.2%
Other expenses in relation to the acquisition of subsidiaries	(8,799)	(64,921)	(86.4)%
Fair value gain/(loss) on derivative financial instruments	56,638	(258,008)	(122.0)%
Gain on disposal of subsidiaries	302,779	—	N/A
Net profit after income tax before transactions with Unitholders	966,519	1,437,095	(32.7)%

Note 1 Property related tax included urban real estate tax, land use right tax, urban construction and maintenance tax, education surcharge, local education surcharge and stamp duties.

Note 2 Other property expenses included valuation fee, insurance premium and other expenses.

Note 3 Other trust expenses included audit fees, legal counselling fees, printing charges, unit registrar fees, listing fees, exchange differences and miscellaneous expenses.



FINANCIAL REVIEW

Gross income and net property income during the Reporting Year were approximately RMB2,031,876,000 (2017: RMB1,853,899,000) and RMB1,468,590,000 (2017: RMB1,314,104,000) respectively, which represented an increase of approximately 9.6% and 11.8% respectively while comparing with 2017.

Gross income included income from office, wholesales, retail, hotel and serviced apartments. Gross income analysis is listed in the following table:

	2018 RMB'000	2017 RMB'000
Office	945,942	824,005
Wholesales	367,445	366,130
Retail	175,970	136,511
Hotel and serviced apartments	542,519	527,253
Total	2,031,876	1,853,899

Net property income amounted to approximately RMB1,468,590,000 (2017: RMB1,314,104,000), representing approximately 72.3% of total gross income, after deduction of hotel and serviced apartments direct expenses, property related taxes, leasing agent fees and other property operating expenses. Net property income analysis is listed in the following table:

	2018 RMB'000	2017 RMB'000
Office	801,568	695,834
Wholesales	308,371	307,780
Retail	147,580	114,852
Hotel and serviced apartments	211,071	195,638
Total	1,468,590	1,314,104

Hotel and serviced apartments direct expenses were approximately RMB313,447,000, an increase of 0.7% as compared with 2017. It was mainly because of an increase of occupancy rate and rental income of hotel and serviced apartment.

Leasing agent fees increased by approximately 16.1% as compared with 2017. It was mainly because of an increase in rental income after the acquisitions of Wuhan Properties.

Property related tax increased by approximately 9.7% as compared with 2017. It was mainly because of an increase in rental income after the acquisitions of Wuhan Properties.

Depreciation and amortisation charge was mainly due to the fact that hotel and serviced apartments of GZIFC were booked as fixed assets and land use right incurring the depreciation and amortization charge.

Other trust expenses decreased by approximately 83.3%. It was mainly due to the foreign exchange gain from operation. Excluding this foreign exchange gain from operation of approximately RMB21,282,000 (2017: foreign exchange loss of approximately RMB8,395,000), other trust expenses incurred for the Reporting Year amounted to approximately RMB25,032,000 (2017: RMB14,552,000).

Overall, the Manager's fees increased by approximately 10.0% as a result of the increase in total assets and net property income as well as properties disposal/acquisition. The Trustee fees increased by approximately 4.7% as a result of the increase in total assets as well as properties disposal/acquisition.

As Renminbi depreciated against Hong Kong dollar and US dollar for the Reporting Year, the bank borrowings denominated in Hong Kong Dollar and United States Dollar and secured note loans denominated in United States Dollar resulted in an exchange loss of approximately RMB527,549,000 (2017: exchange gain of approximately RMB542,552,000). Excluding this exchange factor, the finance expenses incurred for the Reporting Year amounted to approximately RMB480,611,000. (2017: RMB366,987,000).

Profit after tax before transactions with Unitholders amounted to approximately RMB966,519,000 (2017: RMB1,437,095,000), which represented a 32.7% decrease, mainly due to an exchange loss incurred for the Reporting Year.

NET ASSET VALUE

The net assets attributable to the Unitholders per unit as at 31 December 2018 was approximately RMB4.65 (2017: RMB4.75), which represented a decrease of approximately 2.11%.

DEFERRED UNITS

According to the offering circular in relation to the acquisition of GZIFC dated June 30, 2012, commencing from 31 December 2016, the REIT will, on 31 December of each year, issue to Yuexiu Property Company Limited ("YXP") (or YXP Nominee) such number of Deferred Units as shall be equal to the maximum number of Units that may be issued to YXP (or YXP Nominee) and its concert parties which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after the relevant Issue Date, will not trigger an obligation on the part of Yuexiu Property (and parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time. Based on the Illustrative Financing Structure and assuming that no additional Units are issued post-Completion (other than Manager Fee Units), it is expected that all of the deferred units will be issued by 31 December 2023.

On 31 December 2018, Yuexiu REIT issued 67,000,000 Units to a wholly-owned subsidiary of Yuexiu Property Company Limited. The remaining balance of deferred units were approximately 535,401,000.

SUPPORT ARRANGEMENT

Support arrangement received/receivable for the Reporting Year is approximately RMB15,261,300. After deducting the amount of RMB11,091,600 paid by Yuexiu Property on 6 August 2018, the balance amounting to RMB4,169,700 should be paid by Yuexiu Property within 7 business days after the announcement of Yuexiu REIT's annual result for the Reporting Year. Please refer to the Offering Circular dated 15 November 2017 for details



FINANCIAL REVIEW

NEW UNITS ISSUED AND UNIT ACTIVITY

In respect of the partial settlement of the Manager's fees during the Reporting Year, Yuexiu REIT newly issued 12,837,571 and 12,326,960 units at HK\$5.25 and HK\$5.232 on 13 March 2018 and 24 August 2018 respectively. On 31 December 2018, referring to the terms disclosed from the Circular dated 30 June 2012, Yuexiu REIT issued 67,000,000 Units at a price of HK\$4.00 per Unit to Dragon Yield Holding Limited (a wholly-owned subsidiary of Yuexiu Property (a significant holder of the Yuexiu REIT)), in part satisfaction of the outstanding consideration from its investment in GZIFC in 2012.

As at 31 December 2018, a total of 3,106,450,427 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK\$5.60 and a low of HK\$4.69 during the Reporting Year. The average trading volume amounted to approximately 4,239,000 Units per day during the Reporting Year (2017: approximately 5,676,000 Units).

The closing price of the Units as at 31 December 2018 was HK\$5.02, represented a discount of approximately 5.78% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2018.

CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Bank borrowings and notes		
Denominated in RMB	2,521,280	3,021,280
Denominated in HKD	8,624,328	5,569,459
Denominated in USD	2,730,120	4,140,034
Total bank borrowings and notes	13,875,728	12,730,773
Maturity analysis		
Within one year	2,276,543	4,408,474
Two to five year	10,420,105	6,643,219
Beyond five year	1,179,080	1,679,080
The effective interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	4.31%	4.31%
HKD	3.65%	2.47%
USD	4.99%	3.26%

In 2018, the Manager adopted the following financial arrangements to manage the foreign exchange risk.

- 1) On 2 September 2016, capped forward hedging was applied to US\$177million bank loan facility to fix the RMB exchange rate and manage the foreign exchange risk. The capped forward hedging had already matured on 24 August 2018.
- 2) From December 2016 to June 2017, capped forward hedging was fully applied to HKD2.3billion bank loan facility to fix the RMB exchange rate and manage the foreign exchange risk.

- 3) From December 2018, capped forward hedging was partially applied to HK\$1,444,648,000 bank loan facility to fix the RMB exchange rate and manage the foreign exchange risk.
- 4) Referring to the revised US\$1,500,000,000 guaranteed medium-term note plan, in April 2018, Yuexiu REIT issued a total principal of US\$400,000,000 guaranteed note at 4.75% which would mature in 2021. The fund was used for repayment of the US\$350,000,000 guaranteed note and for general corporate working capital requirement.
- 5) On 21 August 2018, Yuexiu REIT, through its SPV's company, entered into a facility agreement with certain lending banks in connection with a five-year unsecured and floating rate term loan facility of HK\$2,800,000,000. On 23 August 2018, the loan was drawn down and used for repayment of certain matured US\$ bank loan facility and for general corporate working capital requirement.
- 6) On 21 December 2018, Yuexiu REIT, through its SPV's company, entered into a facility agreement with certain bank in connection with a three-year unsecured and floating rate term loan facility of HK\$412,677,720. On 28 December 2018, the loan was drawn down to pay for part of the acquisition cost of Hangzhou Victory.

On 31 December 2018, Yuexiu REIT held certain hedging financial derivatives with a fair value liabilities of RMB120,018,000.

As at 31 December 2018, total borrowings of Yuexiu REIT amounted to approximately RMB13,875,728,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 38.7% of total assets of Yuexiu REIT. The gearing ratio was below the maximum borrowing limit of 45% as stipulated in the REIT Code.

As at 31 December 2018, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB20,239,132,000, representing approximately 56.4% of total assets of Yuexiu REIT.

CASH POSITION

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2018 amounted to approximately RMB1,481,388,000. Yuexiu REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

The Manager has adopted a prudent approach in cash management to ensure flexibility to meet the operational needs and the distributions of Yuexiu REIT.

ACCOUNTING TREATMENTS

UNITS RECORDED AS FINANCIAL LIABILITIES; DISTRIBUTIONS TO UNITHOLDERS AS FINANCE COSTS

Pursuant to Rule 7.12 of the REIT Code and the terms of the Trust Deed, Yuexiu REIT is required to distribute to the Unitholders not less than 90% of its audited annual net income after tax (subject to certain adjustments as defined in the Trust Deed).

Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the Units contain contractual obligations to pay cash distributions and, upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with Unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT.

In accordance with the Hong Kong Accounting Standards 32 ("HKAS 32"), Yuexiu REIT has, for accounting purposes, classified its Units as financial (not legal) liabilities.



FINANCIAL REVIEW

On the basis of the HKAS 32, distributions to be paid to the Unitholders are represented as finance costs and are therefore presented as expenses in the consolidated statement of comprehensive income. Consequently, Yuexiu REIT has, for accounting purposes, recognised distributions as finance costs in its audited consolidated statement of comprehensive income.

The above accounting treatment does not have any impact on the net assets attributable to the Unitholders.

SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

During the Reporting Year, Yuexiu REIT carried out the following acquisition and disposal:

- (i) Acquired Victory Business Center Tower 2 and certain carpark spaces, located in Hangzhou, for the consideration of approximately RMB590,000,000. The acquisition was completed on 28 December 2018.
- (ii) Disposal of Neo Metropolis located in Guangzhou for the consideration of approximately RMB1,178,000,000. The disposal was completed on 21 December 2018.

REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT

During the Reporting Year, Yuexiu REIT had engaged Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd (formerly named as Guangzhou Yicheng Property Management Ltd) ("Yicheng"), Guangzhou Baima Business Operation Management Co., Ltd ("Baima BM") and Guangzhou Yue Xiu Asset Management Company Limited ("GZAM") to provide designated leasing, marketing, tenancy management and property management services (collectively, "Leasing Agents") to the Properties.

During the Reporting Year, Yuexiu REIT paid/payable service fees to Yicheng, Baima BM and GZAM in the amounts of RMB16,359,000, RMB11,022,000 and RMB19,621,000 respectively.

REPURCHASE, SALE OR REDEMPTION OF UNITS

Yuexiu REIT may, subject to the fulfillment of certain requirements, purchase its own Units on the Stock Exchange.

During the Reporting Year, there was no repurchase, sale or redemption of Units by Yuexiu REIT or its subsidiaries.

EMPLOYEES

As at 31 December 2018, Yuexiu REIT employed 670 and 135 employees in China for hotel operation through its branch companies and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of services for hotel and serviced apartments.

Yuexiu REIT is managed by the Manager. Except for the abovementioned, Yuexiu REIT does not employ any staff.

REVIEW OF FINANCIAL RESULTS

The final results of Yuexiu REIT for the Reporting Year have been audited by the independent auditor of Yuexiu REIT and reviewed by the Disclosures Committee and the Audit Committee of the Manager.

CORPORATE GOVERNANCE

Except from Article A.2.1 of the Corporate Governance Code, it is required that the roles of the Chairman and the Chief Executive Officer should be segregated and should not be performed by the same individual. At present, Mr. Lin Deliang is also the Chairman and Chief Executive Officer of the Manager. This structure was considered of more efficiency in business planning and decision-making for Yuexiu REIT. The Board also did not believe that the current structure of a single Chairman and Chief Executive Officer will compromise the balance of power and authority between the board and the company's management.

The Manager has adopted an overall corporate governance framework that is designed to promote the best operation of Yuexiu REIT in a transparent manner with internal audit and controls to evaluate the performance of the Manager, and consequently achieved the success of Yuexiu REIT.

The Manager has adopted a compliance manual ("Compliance Manual") for use in relation to its management and operation of Yuexiu REIT which includes key policies and procedures for maintaining a high standard of corporate governance.

During the Reporting Year, the Manager has complied with the provisions of the Compliance Manual for its management of Yuexiu REIT.

ISSUANCE OF ANNUAL REPORT

The annual report of Yuexiu REIT for the Reporting Year will be dispatched to the Unitholders on or before 30 April 2019.

ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year to be held on 28 May 2019. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT SUMMARY

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT SUMMARY

Yuexiu REIT is managed by the Manager who in turn has delegated the functions of leasing and marketing all properties to Baima BM, Yicheng Ltd. and GZAM (Yuexiu REIT, the Manager and parties who have been delegated functions are collectively referred to as “we” hereinafter, as and when the context requires). While maintaining a leading position in the capabilities of asset appreciation, business operation and capital operation, we adhere to the concept of sustainable development and establish the Corporate Social Responsibility (CSR) Working Committee to integrate environmental protection and social responsibility into our development strategy, actively addressing the expectation of stakeholders in aspects of environmental, social and governance to achieve quality, efficient and sustainable growth.

In order to realize the strategies for win-win, green and shared interests, the three major areas of sustainable development, we repay our clients and rebate the society through a series of initiatives, which include implementing capital technical alteration of properties and service innovation to enhance satisfaction and trust of customers; improving policies for caring employees to create a safe, fair, inclusive and open working environment; taking effective measures for energy conservation and waste disposal to reduce the adverse effects of property operation on social environment; and advocating charity and poverty alleviation activities to offer help to the needy in the community.

For ensuring reasonable disclosure of various initiatives on ESG work, we have conducted multi-faceted risk assessment and analysis. We have identified important issues as the basis of preparing the ESG Independent Report through tasks such as regulatory requirement analysis, media research, industrial benchmarking, stakeholder research and property field visits. We consider government agencies, media, unitholders and potential investors, tenants, employees, suppliers, etc. as our key stakeholders. During the year, we have conducted special researches on nearly 100 stakeholders in respect of environmental, social and governance issues. The results of the researches provide important reference for ESG disclosure and the sustainable development of Yuexiu REIT in the future.

For further information on the performance of Yuexiu REIT in areas of environmental, social and governance during this financial year, please refer to the forthcoming ESG Independent Report. After the report is published, it can be viewed in or downloaded from Yuexiu REIT’s website.

OVERVIEW OF THE PROPERTIES

The property portfolio of Yuexiu REIT comprises eight high quality properties, namely White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, Yuexiu Tower, Wuhan Properties and Hangzhou Victory.

LOCATION OF THE PROPERTIES

The Properties of Yuexiu REIT are located in the core business districts (“CBD”) of Guangzhou, Shanghai, Wuhan and Hangzhou, the PRC. In particular, the White Horse Building is located in the Liuhua business and exhibition area of Guangzhou, adjacent to Guangzhou Railway Station with a diversity of wholesale markets specializing in apparels, shoes and leatherware in the surrounding areas. Fortune Plaza, City Development Plaza and Victory Plaza are located in the north end of the Guangzhou Tianhe CBD, which is located on the new axis of Guangzhou and being one of the top three CBDs in China approved by the State where prime grade-A office buildings are concentrated, with highly concentrated metro line networks, convenient transportation, established and sound ancillary facilities. GZIFC is located at the core financial business district of the Zhujiang New Town which is located on the new axis of Guangzhou, and enjoys favorable geographical advantages, with well-developed commercial and thriving cultural activities in the surrounding areas integrating natural landscape and arts of the new town center, which will make GZIFC the new icon of Guangzhou City. Shanghai Yue Xiu Tower is located at 388 Fushan Road, Pudong New District, Shanghai Municipality, PRC and only 2 kilometres away from the Little Lujiazui central district. Due to its convenient traffic conditions, Shanghai Yue Xiu Tower can be reached by various rail transit lines in the vicinity and is adjacent to the intersection of metro lines 2, 4, 6 and 9. Wuhan Yue Xiu Fortune Center and Starry Victoria Shopping Center, located in Hankou Riverside Business District in Wuhan, the capital of Hubei Province, Central China, enjoy high transport accessibility as they are directly connected to Metro Line 1 and the planned Metro Xingang Line. Hangzhou Victory Business Center is located in Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province, PRC and enjoys high transport accessibility as it is adjacent to the intersection of two metro lines (line 6 and line 9) and one airport express line.



PROPERTY PORTFOLIO

LOCATIONS MAP OF PROPERTY

- GUANGZHOU IFC
- FORTUNE PLAZA
- WHITE HORSE BUILDING
- HANGZHOU VICTORY BUSINESS CENTER
- CITY DEVELOPMENT PLAZA
- SHANGHAI YUE XIU TOWER
- VICTORY PLAZA
- YUE XIU FORTUNE CENTRE AND STARRY VICTORIA SHOPPING CENTRE





廣州 GUANGZHOU

天河區 TIANHE DISTRICT



海珠區 HAIZHU DISTRICT



PROPERTY PORTFOLIO

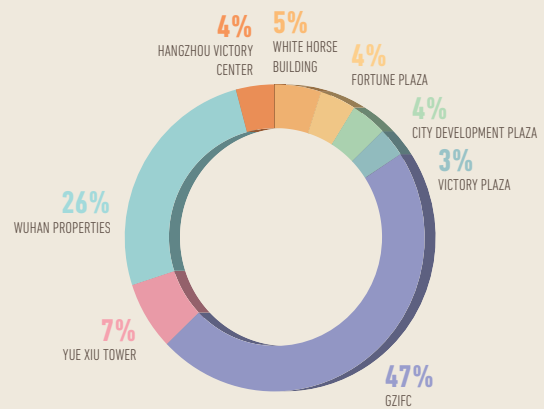


GUANGZHOU



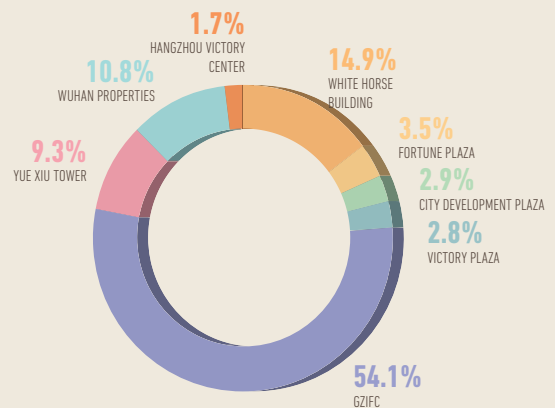
AREA OF PROPERTIES

The property portfolio of Yuexiu REIT has an area of ownership of 969,488.8 sq.m. and a rental area of 632,915.1 sq.m. As at 31 December 2018, the overall occupancy rate of the property portfolio was 90.8%.



PROPERTY VALUATION

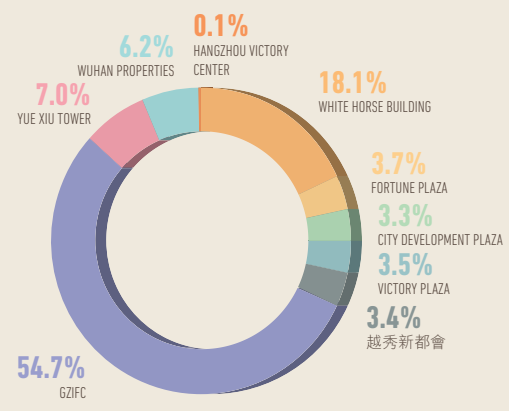
According to the valuation report issued by Savills, the property portfolio of Yuexiu REIT was valued at a total value of RMB33,970 million as at 31 December 2018.





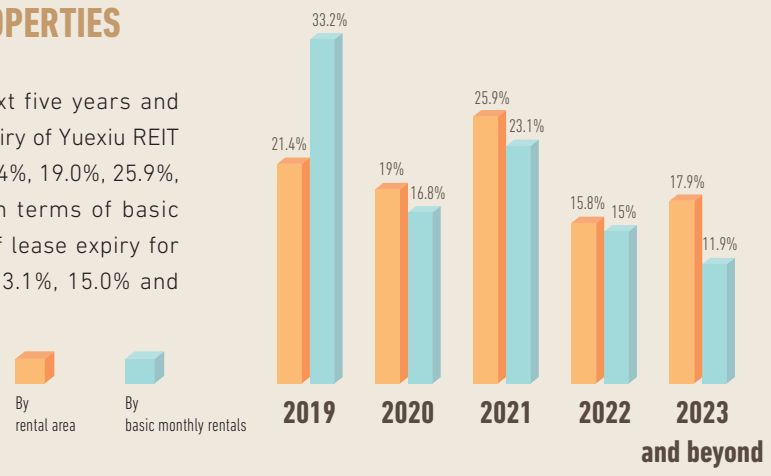
OPERATING INCOME GENERATED BY THE PROPERTIES

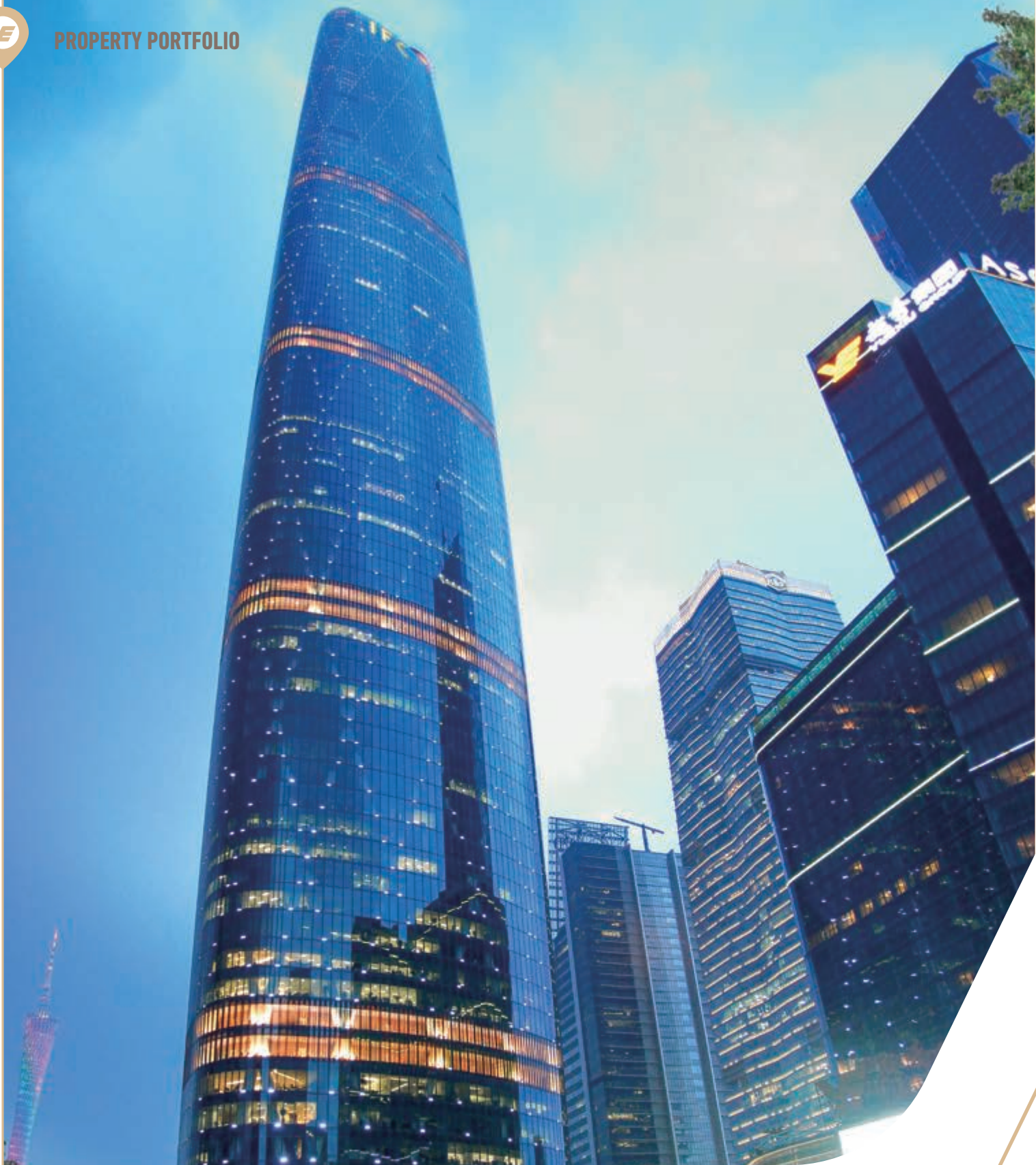
In 2018, Yuexiu REIT recorded a total annual operating income of RMB2,031.9 million, representing an increase of 9.6% as compared to the same period last year.



LEASE EXPIRY OF THE PROPERTIES

In terms of rental area in the next five years and beyond, the proportion of lease expiry of Yuexiu REIT Properties for each year will be 21.4%, 19.0%, 25.9%, 15.8% and 17.9% respectively. In terms of basic monthly rentals, the proportion of lease expiry for each year will be 33.2%, 16.8%, 23.1%, 15.0% and 11.9% respectively.







GUANGZHOU - TIANHE DISTRICT

GUANGZHOU IFC



**GZIFC - A GLOBAL BUSINESS LEADER
AND A NEW BENCHMARK FOR THE
BUSINESS IMAGE OF GUANGZHOU**

Guangzhou International Finance Center (GZIFC) is located in the central business district (CBD) of Zhujiang New Town, the most radiant and glamorous CBD in Guangzhou. It is a landmark of mixed-use premium grade commercial complex in Guangzhou.

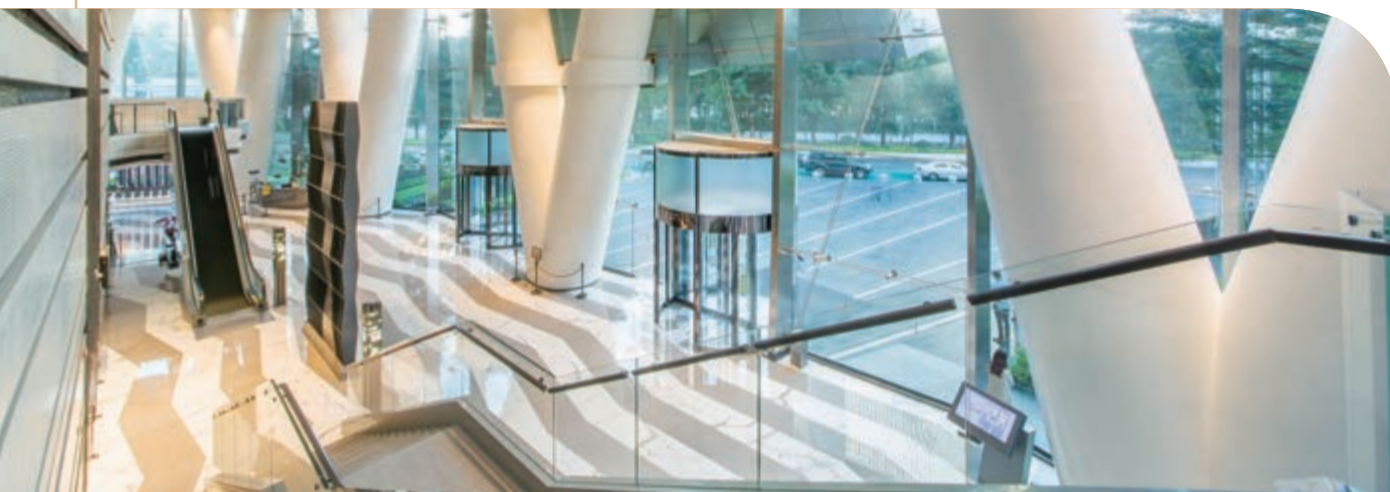
The property is in an excellent location of the core CBD which is on the axis of Guangzhou, where the No. 3 and No. 5 Metro Lines and the passenger automatic transportation system (APM) intersect. It is 45 minutes from Guangzhou Baiyun International Airport, 10 minutes from Guangzhou East Railway Station, 45 minutes from Nansha Expressway, and 15 minutes from Pazhou convention and exhibition business district, facilitating quick and easy business connection.

Having a total gross floor area of 457,000 sq.m., the property comprises a main tower with 103 floors above the ground and 4 floors underground, and a 28-storey annex building. It has 58 floors of Grade A offices, 6 floors of shopping mall, a carpark with 1,700 parking spaces, a five-star hotel with 344 guest rooms, and 314 units of luxury serviced apartments.



GUANGZHOU TIANHE DISTRICT

GUANGZHOU IFC - OFFICE

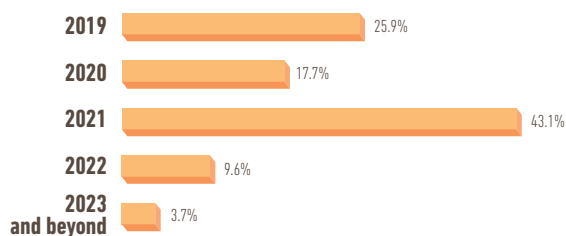


The main tower of the property is 432 meters tall, being one of the world’s top ten skyscrapers. The property is designed by the renowned architectural firm, Wilkinson Eyre Architects, and its structural works are undertaken by Arup. The property won the “Highly Commended Mixed-use Project” Award of the International Property Awards at the Asia Pacific Presentation Ceremony in 2012, and the honour of “The Most Outstanding Architecture outside the European Union” awarded by the Lubetkin Prize granted by the Royal Institute of British Architects (RIBA) in a global competition during the same year. The property also won the Lu Ban Award in 2013, representing the highest honour in quality management and engineering level in the construction industry of China. In 2017, it became a super high-rise landmark building granted the LEED V4 standard platinum level certification for the operation stage.

The offices of Guangzhou International Finance Center are on the 4th to 65th floors of the main tower. It has a gross floor area of 268,000 sq.m. and commenced operation in July 2011. As an iconic building and a landmark in southern China, Guangzhou International Finance Center has attracted many multinational companies and renowned enterprises to lease its office space. Currently its tenants include renowned companies such as Bank of America, Société Générale, Wing Lung Bank, Bank of Taiwan, Bank of China, China Construction Bank, Agricultural Bank of China, Zurich General Insurance, Allianz Insurance, The British Consulate, The Portuguese Consulate, The Venezuelan Consulate, Italian Foreign Trade Association, China Export & Credit Insurance, China Financial Leasing, Ping An Merchants, SFund, China Asset Management, Harvest Fund, FAW-Volkswagen, Dow Chemical, Nokia-Sbel, BSH Home Appliances and Mitsubishi Electric.

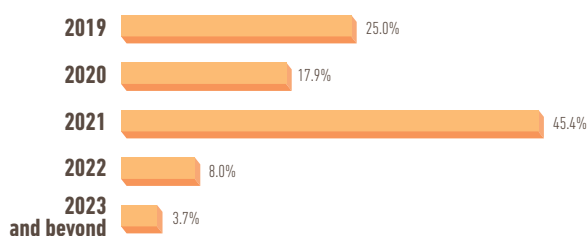
LEASE EXPIRY OF THE OFFICES

(by rental area)

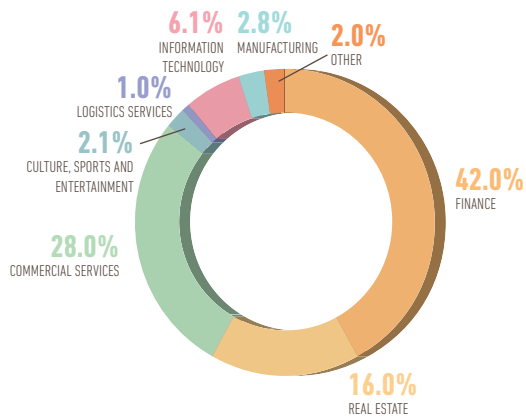


LEASE EXPIRY OF THE OFFICES

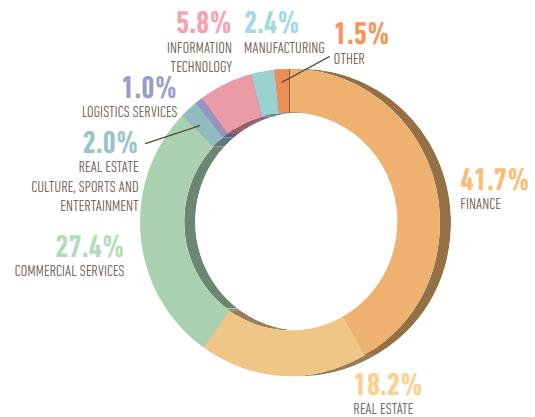
(by basic monthly rentals)



INDUSTRY COMPOSITION OF OFFICES TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF OFFICES TENANTS BY BASIC MONTHLY RENTALS



TOP 10 OFFICE TENANTS BY RENTAL INCOME (As at 31 December 2018)

Name of Tenant	Industry	% of Total	
		Rented Area	Monthly Rentals
Yuexiu Group and its subsidiaries	Mixed	27.2%	30.1%
Guangzhou Industrial Investment Fund Management Co and its subsidiaries	Finance	8.5%	8.9%
China Export Credit Insurance Corporation Guangdong Branch	Finance	3.2%	2.9%
Cedar Holdings Group Limited	Real Estate	1.9%	2.2%
Youngy Investment Holding Group Co., Ltd.	Finance	1.9%	1.9%
Biostime Inc. Guangzhou	Manufacturing	1.8%	1.7%
Guangzhou Rich GuoJin Clinic Co., Ltd	Commercial Services	1.6%	1.7%
Zhongke Group (中科集團)	Finance	1.5%	1.3%
Guangzhou Dabenxiang Techonology Co., Ltd. (廣州市大笨象科技有限公司)	Commercial Services	1.7%	1.3%
Allianz China General Insurance Company Ltd.	Finance	1.6%	1.1%
Total		50.9%	53.1%



PROPERTY PORTFOLIO

GUANGZHOU TIANHE DISTRICT

GUANGZHOU IFC – SHOPPING MALL

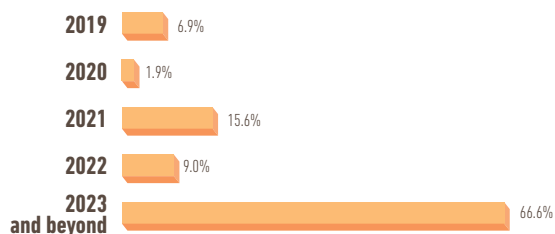
The shopping mall occupies a total of six floors of the podium. It has a gross floor area of 47,000 sq.m. and commenced operation in November 2010.

As of 31 December 2018, the occupancy of the shopping mall was 97.8%, and the unit rental price was RMB148.3 per sq.m. per month.



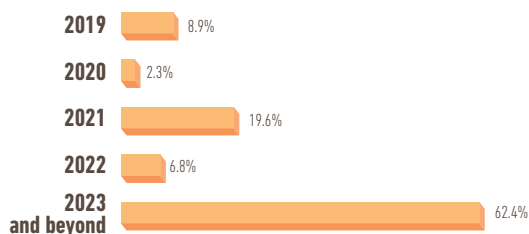
LEASE EXPIRY OF SHOPPING MALL

(By rental area)

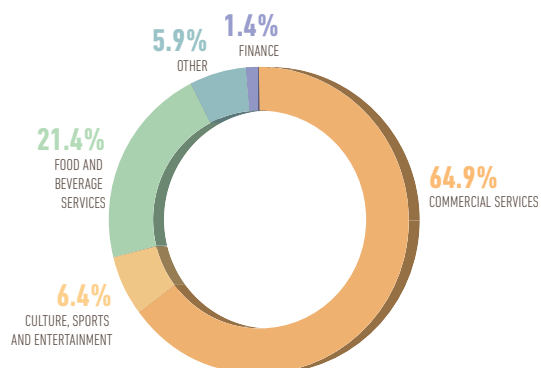


LEASE EXPIRY OF SHOPPING MALL

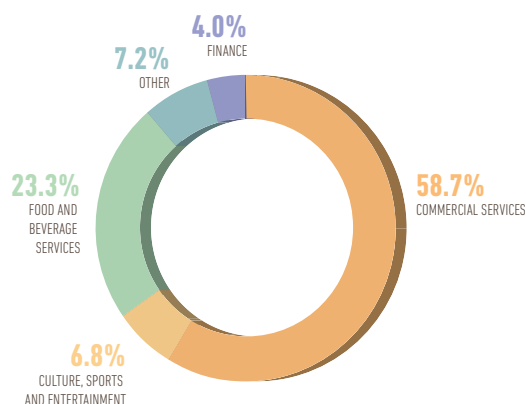
(By basic monthly rental)



INDUSTRY COMPOSITION OF SHOPPING MALL TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF SHOPPING MALL TENANTS BY BASIC MONTHLY RENTALS



TOP 10 OFFICE TENANTS BY RENTAL INCOME (As at 31 December 2018)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Guangzhou Friendship Group Co., Ltd.	Commercial Services	58.2%	37.0%
Shanghai NIO Co., Ltd.	Commercial Services	3.7%	18.6%
Yuexiu Group and its subsidiaries	Food & Beverage	5.9%	7.2%
Weikang Fitness Management Consulting (Shanghai) Co., Ltd.	Culture, Sports and Entertainment	3.5%	4.1%
Harvest Fund Management Co., Ltd	Finance	1.4%	4.0%
Guangzhou Jinlong Culture Internet Technology Co., Ltd.	Culture, Sports and Entertainment	3.0%	2.7%
Guangzhou Guojin TaoTaoJu Catering Management Limited	Food & Beverage	4.3%	2.4%
Youyue Restaurant of Zhujiang New Town, Tianhe District, Guangzhou	Food & Beverage	2.3%	2.0%
Xijie Guangzhou Food and Beverage Management Co., Ltd (希傑廣州餐飲管理有限公司)	Food & Beverage	0.3%	1.6%
Guangzhou Backstreet Tangchu catering Co., Ltd., Zhujiang New Town Branch	Food & Beverage	1.7%	1.4%
Total		84.3%	81.0%



GUANGZHOU TIANHE DISTRICT

GUANGZHOU IFC – FOUR SEASONS HOTEL

Four Seasons Hotel Guangzhou is entrusted to Four Seasons Group, the world-famous hotel brand management company, for operation and management. The hotel occupies the 68th to 100th floor of the main tower of Guangzhou International Finance Center, and the 1st to 5th floor (partial) of the podium, with a gross floor area of about 91,000 sq.m.

Four Seasons Hotel Guangzhou provides comprehensive service support, including conference and banquet facilities with a gross floor area of approximately about 14,000 sq.m., CATCH Restaurant on the 100th floor, Tian Bar on the 99th floor, Kumoi (Japanese restaurant) and Caffe Mondo (Western restaurant) on the 72nd floor, the Yu Yue Heen (Chinese restaurant) on the 71st floor, the Atrium on the 70th floor, and a SPA clubhouse, a sky swimming pool and a fitness center on the 69th floor. There is a grand tapering atrium rising from 70th through 100th floor. There is also a reception hall on the 1st floor of the hotel lobby to provide guests with convenient and efficient concierge services.

Four Seasons Hotel Guangzhou adheres to its consistent objectives of making guests feel at home, creating an exclusive and prestigious experience for every honourable guests with our most attractive and quality services.

	Date of inception	Area of ownership	Number of rooms	Average occupancy rate	Average roomrate (RMB/night)
Four Seasons Hotel Guangzhou	August 2012	91,460.9	344	80.9%	2,030

GUANGZHOU TIANHE DISTRICT

GUANGZHOU IFC – ASCOTT IFC

Luxury serviced apartments under the operation and management of Ascott, located on the 6th to 28th floor of the property’s annex building, with a gross floor area of about 51,000 sq.m..

Ascott IFC Guangzhou provides 314 sets of elegant stylish luxury apartments for global business travelers. From one bedroom to three bedrooms, each apartment has separate living room and dining area with a fully equipped kitchen as well as a high-quality home theater system, allowing you to enjoy pleasant and comfortable living for both long-term residential and leisure purposes. The 24-hour security patrol and CCTV surveillance system can ensure a safe and well protected residence for our guests.



	Date of inception	Area of ownership	Number of rooms	Average occupancy rate	Average roomrate (RMB/Square/month)
Ascott IFC Guangzhou	September 2012	51,102.3	314	94.0%	1,007





GUANGZHOU - YUEXIU DISTRICT

WHITE HORSE BUILDING



**WHITE HORSE BUILDING – TOP
10 CHINA GARMENT WHOLESALE
MARKET AND THE INCUBATION BASE
OF CHINA FASHION BRANDS**

Located in the heart of Liuhua business and exhibition area, a famous fashion center in China, which is close to the Guangzhou Railway Station, Guangdong Bus Station and Guangzhou Bus Station, located at the intersection of the Metro Line Nos. 2 and 5 enjoying greatly convenient traffic, the White Horse Building formally commenced operation on 8 January 1993. It has an operating area of 60,000 sq.m., comprising 4 storeys of shopping mall, 5 storeys of offices and one storey of underground carpark.

More than 1,100 fashion manufacturers from various regions across the country congregate in the Guangzhou White Horse Apparel Market. The Market is mainly engaged in middle to high end fashionable men's and women's branded apparel and adheres to the competitive advantages featuring "Original Brands, High Quality Products, Primary Source of Goods and Manufacturers' Direct Sales". 80% of the tenants in the Market operate their own factories and are capable of independent product R&D and manufacturing. Their products are widely popular worldwide, covering over 30 provinces, municipalities and autonomous regions in the PRC, as well as over 70 countries and regions such as the United States, Russia, the Middle East, Southeast Asia and Western Europe. The Market has an average daily traffic flow of 50,000 customers with an annual trading amount of over RMB10 billion.

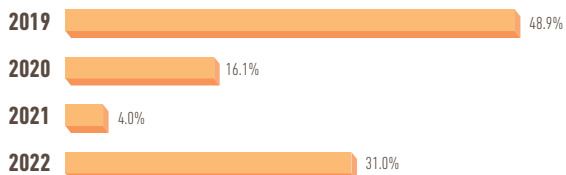


In recent years, Guangzhou White Horse Apparel Market made timely use of Internet resources to provide free WIFI services across the Market. The WeChat of Guangzhou White Horse Apparel Market has been created to concurrently provide purchasers with the latest fashion information and recommendation of superior brands and sources of goods, which creates limitless business opportunities through mobile phones.

After years of cultivation and development, the Guangzhou White Horse Apparel Market has become a bellwether in the wholesale industry of garments in the country, and has won various recognition and awards, such as the Top 10 Professional Markets of Fashion in China, CNTAC Product Development and Promotion Award, the First Incubation Bases for Fashion Brands in China, National Civilized Market, Guangdong Civilized Market, Guangdong Fashion Apparel International Purchase Centre, Guangdong Famous Brand, Leading Enterprise in Guangdong Modern Wholesale Market, China E-Commerce Modelling Enterprise and 2018 silk road textile industry influence innovation market.

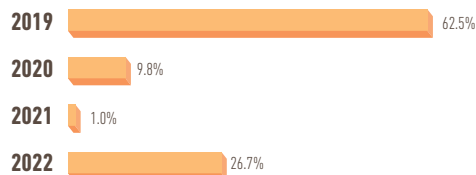
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(By Rental Area)

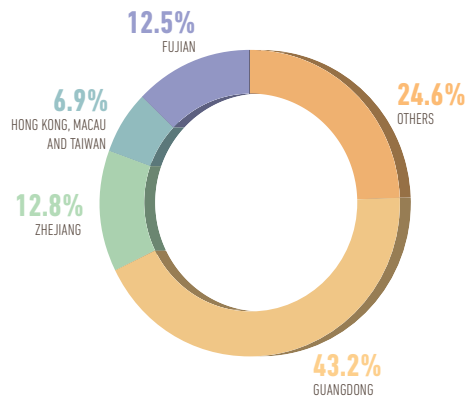


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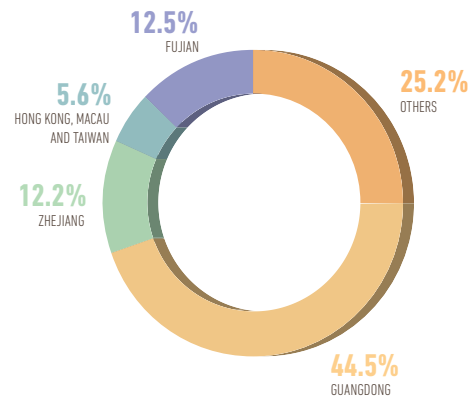
(By Basic Monthly Rentals)



GEOGRAPHICAL DISTRIBUTION OF TENANTS BY RENTAL AREA



GEOGRAPHICAL DISTRIBUTION OF TENANTS BY BASIC MONTHLY RENTAL



TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2018)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Lin Mingguang	Wholesale/Retail	1.2%	1.9%
Chen Yufang	Wholesale/Retail	1.2%	1.4%
Jin Yudan	Wholesale/Retail	0.6%	1.3%
Li Tie	Wholesale/Retail	0.6%	0.9%
Wang Jiang	Wholesale/Retail	0.7%	0.8%
Chen Jiaquan	Wholesale/Retail	0.8%	0.8%
Zhu Huifeng	Wholesale/Retail	0.4%	0.7%
Lin Peifang	Wholesale/Retail	0.4%	0.7%
Zhou Fawei	Wholesale/Retail	0.5%	0.7%
Bank of Communications Co., Ltd Guangdong Provincial Branch	Finance	0.4%	0.7%
Total		6.8%	9.9%



GUANGZHOU - TIANHE DISTRICT

FORTUNE PLAZA



**FORTUNE PLAZA CONVERGENCE
OF THE GLOBAL LARGE RENOWNED
COMPANIES AND MODEL OF
NATIONAL PROPERTY MANAGEMENT**

Located on Ti Yu Dong Road which is known as the "Guangzhou Wall Street", and also at the heart of the Tianhe CBD, Fortune Plaza is a property erected above the Tianhe Sports Center Station, which is the interchange of metro lines Nos 1 and 3 with various public transport stations. It is easily accessible and adjacent to two important business districts, being Zhujiang New Town in the south and Tianhe North in the north, benefiting greatly from its geographical advantages. This project has a total gross floor area of over 80,000 sq.m. comprising a 2-storey underground carpark, a 6-storey commercial podium, a single-storey hanging garden clubhouse and 2 grade-A office towers with 26 storeys and 36 storeys respectively, which are among the few intelligent 5A Grade-A office buildings purely for office use in the Tianhe CBD business circle in Guangzhou. Inside the building, there are banks, a business center, a large conference center, convenience stores and a grand clubhouse, which provide all-round and convenient ancillary business services for business people in the building.

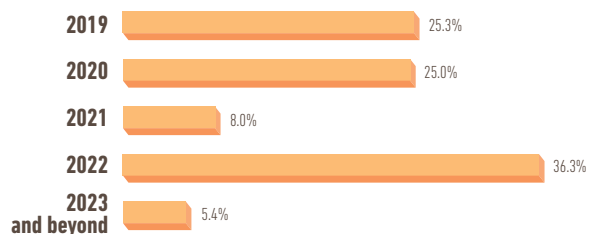


PROPERTY PORTFOLIO

As an iconic building and landmark in the Tianhe CBD of Guangzhou, Fortune Plaza is the top choice for large renowned companies in the world. It has been recognized as the "Model of National Property Management" and Building Sustainability Authentication Flag (楼宇可持续发展指数验证标志) and is well received by customers in the industry. The existing tenants of Fortune Plaza include many famous enterprises, such as Chevron, Citibank, AEON Group, CITS American Express, Hanwha Chemical, Publicis Group, Swatch Group, Ping An Bank, Nikon Imaging, Wall Street English and Baleno.

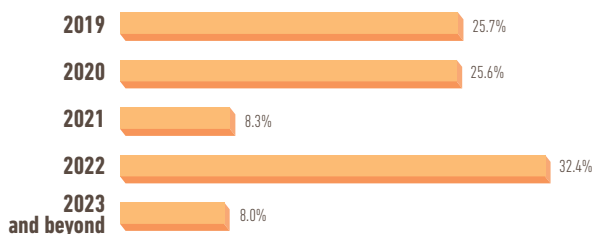
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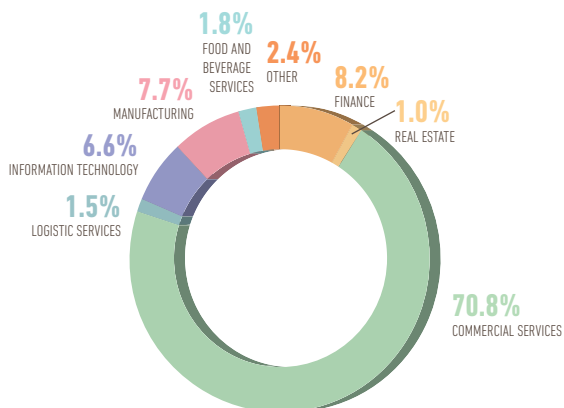


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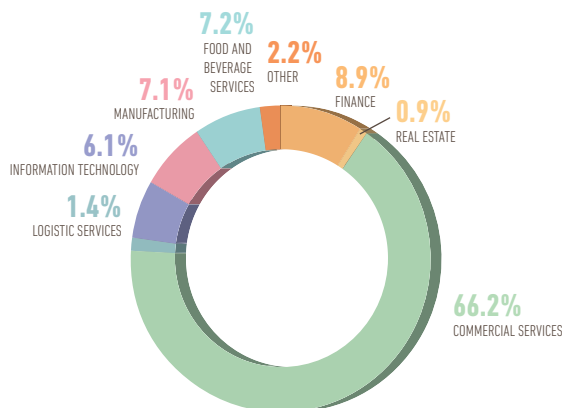
(By Basic Monthly Rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL





TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2018)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Guangzhou Friendship Baleno Company Limited	Commercial Services	10.5%	8.7%
Guangdong AEON Teem Co., Ltd	Commercial Services	10.5%	7.1%
Wall Street English Training Centre (Guangdong) Co., Ltd.	Commercial Services	3.8%	6.2%
Shinyway Group and its subsidiaries	Commercial Services	5.4%	5.0%
Publicis Group and its subsidiaries	Commercial Services	4.2%	3.6%
Kungfu Catering Management Co., Ltd.	Food & Beverage	1.0%	3.5%
Guangzhou Shenshenfu Catering Management Co., Ltd. (廣州坤坤府餐飲管理有限責任公司)	Food & Beverage	0.6%	3.4%
Citibank (China) Company Limited, Guangzhou Branch	Finance	3.1%	3.4%
Ping An Bank Co., Ltd. Guangzhou Branch	Finance	1.9%	2.5%
Bluemoon (China) Co., Ltd	Manufacturing	2.4%	2.4%
Total		43.4%	45.8%



PROPERTY PORTFOLIO



GUANGZHOU - TIANHE DISTRICT

CITY DEVELOPMENT PLAZA

CITY DEVELOPMENT PLAZA ENTERPRISE
HEADQUARTERS IN TIANHE CBD AND
MODEL OF NATIONAL PROPERTY
MANAGEMENT



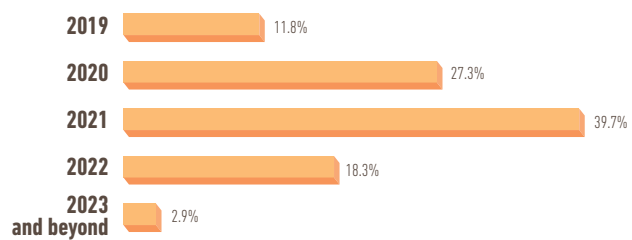
Located at the junction of Tianhe North Road and Tiyu West Road, City Development Plaza is facing Tianhe Sports Center and is adjacent to landmark buildings such as CITIC Tower and Victory Plaza. With bus stops within easy reach, it is just a 5-minute walk from Linhexi Station of the Metro Line No.3 and Automatic Passenger Mover System and has many restaurants and ancillary facilities in its adjacent areas. City Development Plaza has a total gross floor area of over 70,000 sq.m., comprising a 2-storey underground car park, a 4-storey commercial podium and a 28-storey high-end office building. With a uniquely large green area square of 5,000 sq.m., it provides a super large area for holding events by its business and office customers, it is a commercial complex integrating office, finance, business and food and beverage functions. In 2018, it was awarded the Building Sustainability Authentication Flag (樓宇可持續發展指數驗證標誌).

Existing tenants of City Development Plaza include many famous enterprises, such as Efund Management Company, Ping An Bank, SPD Bank, Guangfa Bank, Taikang Life, General Mills, Wangsu Science & Technology, AGILE, Cinda Securities and visa centres for several countries such as the U.K., Canada and Spain were set up in its podium.



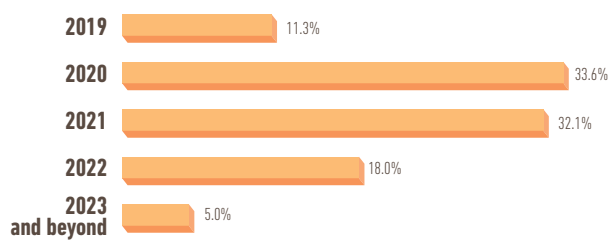
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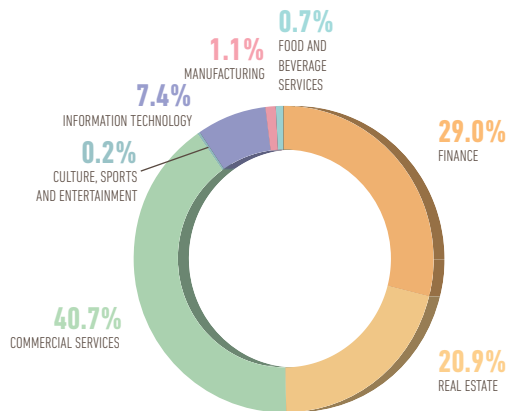


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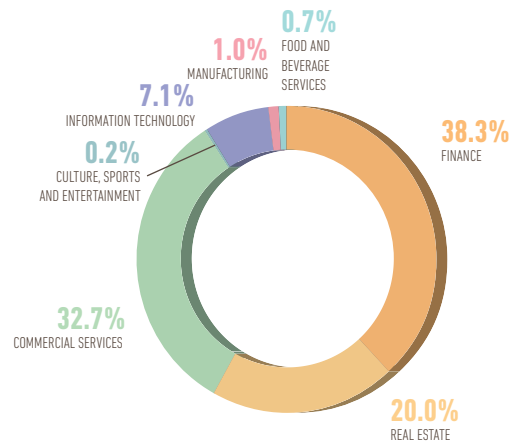
(By Basic Monthly Rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL



TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2018)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Shanghai Pudong Development Bank, Guangzhou Branch	Finance	3.7%	10.8%
Guangzhou Wisevalley Development Co., Ltd.	Commercial Services	19.2%	10.7%
Guangzhou City Construction & Development Xingye Property Agent Co., Ltd.	Real Estate	9.1%	8.8%
Efund Management Co., Ltd.	Finance	9.1%	8.8%
Agile Build	Real Estate	4.5%	4.3%
Guangdong Development Banking Co., Ltd. Guangzhou Branch	Finance	1.4%	3.6%
Ping An Bank Co., Ltd. Shanghai Branch	Commercial Services	3.4%	3.4%
Taikang Life Insurance Co., Ltd. Guangdong Branch	Finance	3.7%	3.4%
Greatwall Life Insurance Co., Ltd. Guangdong Branch	Finance	3.1%	3.1%
Wangsu Science & Technology Co., Ltd. Guangzhou Branch	Information Technology	2.8%	2.5%
Total		60.0%	59.4%



GUANGZHOU - TIANHE DISTRICT

VICTORY PLAZA



**VICTORY PLAZA – AN INTERNATIONAL
FAST FASHION EXPERIENCE SHOPPING
MALL AND “DIAMOND” BUSINESS
LANDMARK OF GUANGZHOU CBD**

Located at the junction of Tianhe Road and Tiyu West Road and the interchange of Metro Lines 1 and 3, Victory Plaza is at the core of the most prosperous area of Tianhe CBD and enjoys a strong and well developed business environment. With a magnificent diamond shape and contemporary look, it is no doubt the business landmark of Tianhe CBD. With a total gross floor area of approximately 140,000 sq.m., it comprises a 4-storey underground car park, a 6-storey shopping mall, a single-storey hanging garden clubhouse and two grade A office buildings with 52 storeys and 36 storeys respectively.

Its shopping mall is positioned as an “international fast fashion experience shopping mall” and was renamed as “VT101” on 28 September 2014. It features fashionable, young, healthy, sustainable and trendy lifestyle. It has introduced tenants including Uniqlo’s largest and latest flagship store in south China, Guangzhou McDonald’s first future canteen flagship store, and specialty catering merchants including “Lacesar”(the originator of durian pizza), “Tanyu (探魚)” (the most local literary fish grilling brand), and “Cheng Sushi” (Tokyo Sushi College’s the first direct store in China). It has integrated fast fashion, global trend culture and creativity, and art space. VT101 mainly promotes the LOHAS lifestyle to provide a diversified experience for customers, enabling them to enjoy food and shopping in relaxing and happy atmosphere.

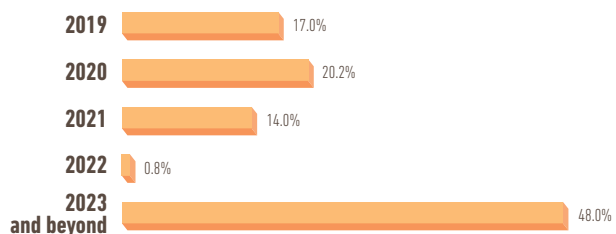
It was awarded the “The Golden Lantern Award for Best Interaction” at the first session of “China Commercial Real Estate Merchandising Conference and Golden Lantern Award Presentation Ceremony” in 2018.



PROPERTY PORTFOLIO

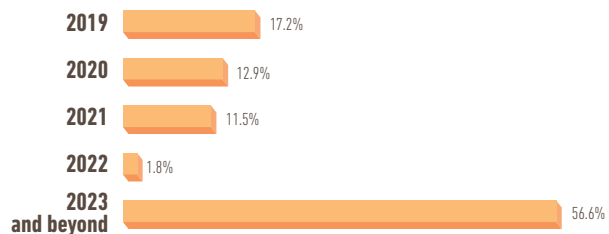
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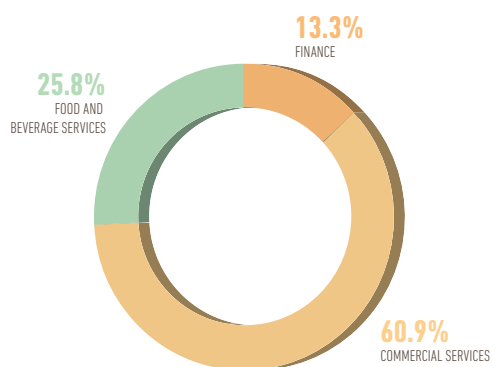


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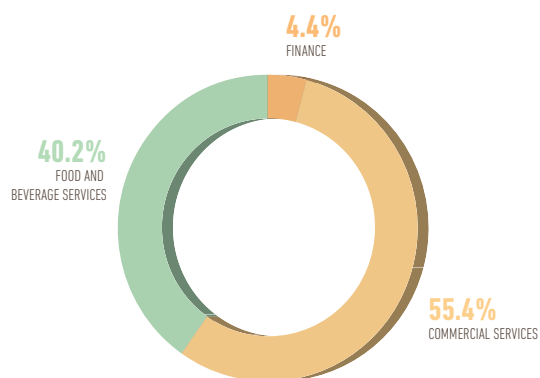
(By Basic Monthly Rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA





TOP 10 TENANTS BY RENTAL INCOME (As At 31 December 2018)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Fast Retailing Co., Ltd.	Commercial Services	38.3%	43.0%
Guangzhou GOME Electrical Appliances Co. Ltd.	Commercial Services	6.2%	9.1%
China Merchants Bank Co., Ltd. Guangzhou Branch	Finance	2.9%	7.3%
Industrial and Commercial Bank of China Limited, Guangzhou Dezheng Zhong Road Sub-branch	Finance	1.5%	6.0%
Guangdong San Yuan McDonald's Food Company Limited	Food & Beverage	4.7%	4.9%
J.M. Developments	Food & Beverage	11.1%	4.3%
Guangzhou Meten Education and Technology Co., Ltd. (廣州市美聯教育科技有限公司)	Culture, Sports, Entertainment	5.2%	2.9%
Guangzhou Xin Ying Dong Education Consultancy Co., Ltd.	Culture, Sports, Entertainment	2.6%	2.0%
Guangzhou Libao Food & Beverage Catering Management Co., Ltd.	Food & Beverage	2.8%	1.9%
Guangdong Starbucks Coffee Co., Ltd. (廣東星巴克咖啡有限公司)	Food & Beverage	0.6%	1.9%
Total		75.9%	83.3%



SHANGHAI - PUDONG NEW DISTRICT

YUE XIU TOWER



**YUE XIU TOWER – CONCENTRATED
LOCATION FOR HIGH-GROWTH FINANCIAL
ENTERPRISES, PREMIUM PROPERTY IN THE
CORE AREA OF ZHUYUAN CBD IN PUDONG,
SHANGHAI**

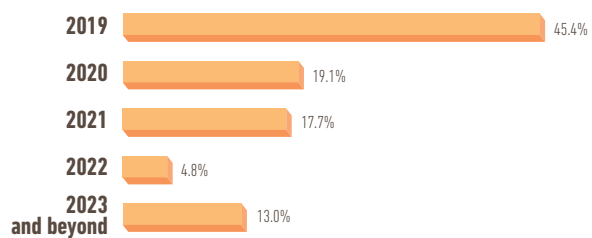
Yue Xiu Tower, located in Zhuyuan commercial district, Pudong, Shanghai, is only two kilometers from the centre of small Lujiazui Finance and Trade Zone. The property, being completed in September 2010, consists of a 25-storey Grade A office building attached with a 2-storey basement, as well as its retail space and car park, with a total gross floor area of 62,139.35 sq.m. and a rental gross floor area of 59,528.91 sq.m. (of which the area of the office building and retail space is 46,026.33 sq.m.). Yue Xiu Tower is situated at the transfer point of Metro Line 2, Line 4, Line 6 and Line 9 and surrounded by many retail and auxiliary facilities, such as banks, convenience stores and restaurants.

Existing tenants of Yue Xiu Tower are a number of renowned enterprises, including Huashe Assets, Suning Investment, Nabtesco, Huawei Media, Chongqing Fumin Bank and Sulzer Pumps Equipment.



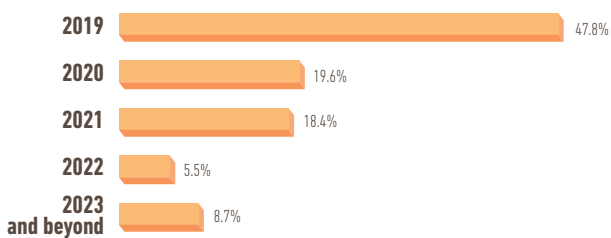
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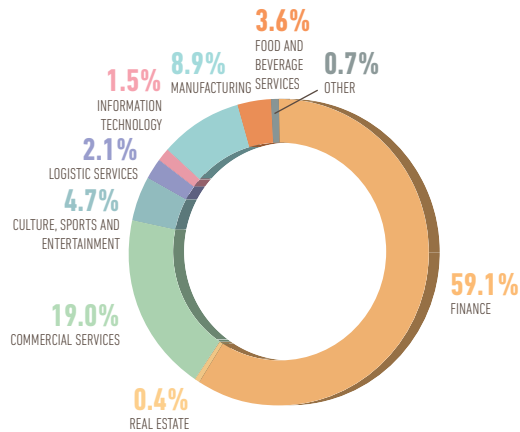


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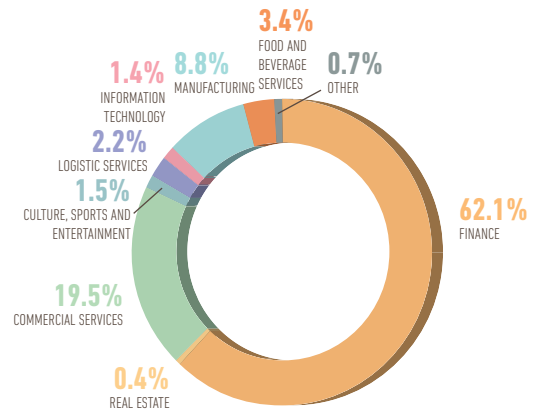
(By Basic Monthly Rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL



TOP 10 TENANTS BY RENTAL INCOME (As At 31 December 2018)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
American Baby International Education Ltd	Commercial Services	5.2%	5.1%
Hongta Securities Co., Ltd.	Finance	4.3%	4.5%
Kuaikuai Financial Information Service (Shanghai) Co., Ltd.		4.0%	4.1%
Huashe Assets Management (Shanghai) Co., Ltd.	Finance	4.0%	4.0%
Markor International Furniture Co., Ltd.	Commercial Services	2.8%	3.3%
Tebon Innovation Capital Co., Ltd.	Finance	3.2%	3.3%
Shanghai Puyu Asset Management Co., Ltd. (上海浦渝資產管理有限公司)	Finance	2.8%	2.9%
Shanghai Nabtesco Business Management Co., Ltd.	Manufacturing	3.0%	2.9%
Shanghai Yuexiu Finance Leasing Co., Ltd. (上海越秀融資租賃有限公司)	Finance	2.2%	2.5%
Tecan (Shanghai) Trading Co., Ltd.	Commercial Services	2.3%	2.4%
Total		33.8%	35.0%



PROPERTY PORTFOLIO



WUHAN - QIAOKOU DISTRICT

WUHAN PROPERTIES



**YUEXIU FORTUNE CENTRE -
WORLD COMMERCE PORTAL, A RIVERSIDE
BUSINESS LANDMARK IN QIAOKOU**

Yuexiu Fortune Centre, located in Hankou Riverside Business District which is an emerging business district in Wuhan, is currently the tallest International Grade A office building completed in Wuhan. As the only International Grade A office building in Hankou and in the riverside area of Hankou, Yuexiu Fortune Centre owns excellent riverside views in 3 directions. The property is located within the second ring of Wuhan. Public transportation is convenient and people can easily access three towns in Wuhan. It is connected to Hanyang by Yuehu Bridge on the south side. Two metro lines meet at Qiaokou Road station (Metro Line 1 is in operation and Metro Xingang Line is under planning).



WUHAN - QIAOKOU DISTRICT

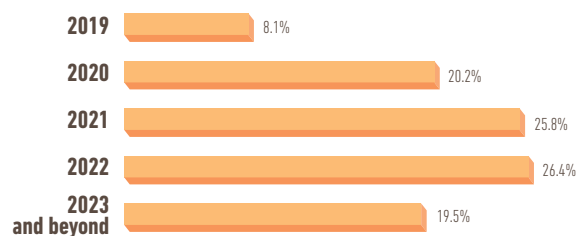
WUHAN PROPERTIES - YUEXIU FORTUNE CENTRE



Yuexiu Fortune Centre was completed in August 2016, with a height of 330 metres and a total gross floor area of 129,446.74 sq.m., comprising a 68-storey office building. The main tenants of Yuexiu Fortune Centre are premium domestic and foreign companies. Yuexiu Fortune Centre has attracted certain Fortune 500 companies, such as Hitachi, PSA, Sumitomo Group, Kenfair etc, and a number of renowned enterprises, including CCSEB, AVIVA-COFCO, Guangdong Guangxin, Shenzhen Investment Holding, Prolog, Chinatex, Agile Property, Fosun Property, New China Life Insurance, Hua Medicine, Ping An Healthcare and McQuay.

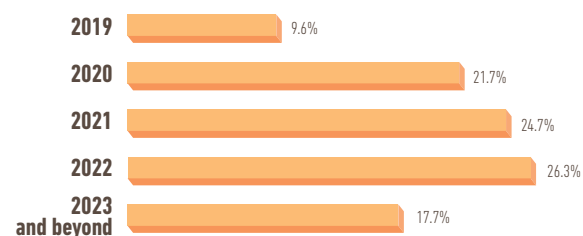
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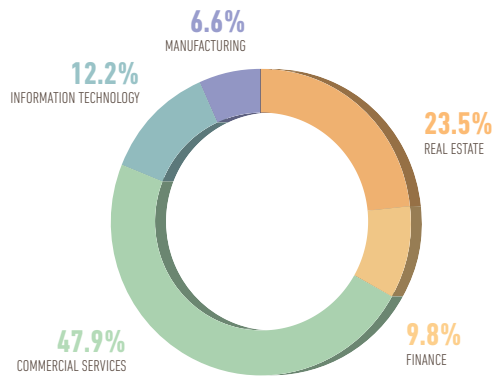


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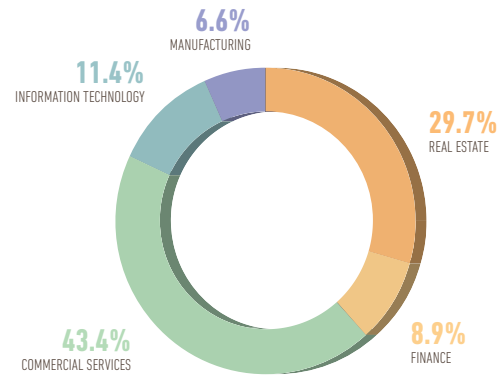
(By Basic Monthly Rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL



TOP 10 TENANTS BY RENTAL INCOME (As At 31 December 2018)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Yuexiu group and its subsidiaries	Real Estate	14.0%	18.8%
Guangzhou Hemei Industrial Co., Ltd. (廣州赫美實業有限公司)	Commercial Services	17.3%	16.5%
Guangdong Guangxin Communication Service Co., Ltd.	Information Technology	7.1%	6.3%
China Construction Second Engineering Bureau Ltd.	Real Estate	2.9%	4.1%
Wuhan Universal Innovation Business Consultancy Co., Ltd. (武漢寰宇天下眾創商務諮詢有限公司)	Commercial Services	5.5%	3.9%
New China Life Insurance Co., Ltd. Wuhan Central Branch	Finance	3.7%	3.5%
51 Talk	Commercial Services	4.3%	3.2%
Aviva-COFCO Life Insurance Co., Ltd. Hubei Branch	Finance	3.4%	3.2%
Wuhan Prolog Integrated Technology Co., Ltd. (武漢普羅格集成科技有限公司)	Information Technology	2.9%	3.0%
Wuhan Today's Dream Business Co., Ltd. (武漢今天夢想商貿有限公司)	Commercial Services	3.0%	2.8%
Total		64.1%	65.3%



WUHAN - QIAOKOU DISTRICT

WUHAN PROPERTIES - STARRY VICTORIA SHOPPING CENTRE

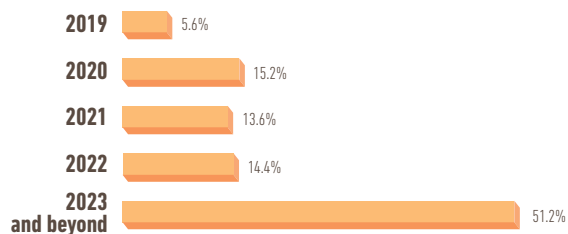


Starry Victoria Shopping Centre is the first Hong Kong lifestyle oriented neighborhood shopping centre in Wuhan. Office staffs and family-oriented consumers are its target consumer groups. It is also the first shopping centre built with a covered walkway to the metro. The 5-storey shopping arcade (inclusive of a 1-storey basement) has a gross floor area of 45,471.4 sq.m. with 1,134 commercial carpark spaces and 375 residential carpark spaces.

Starry Victoria Shopping Centre provides supplementary services to office and residence services, F&B and life experience stores. Existing tenants of Starry Victoria are a number of renowned enterprises, including KFC, Hutaoli, KenGee, Pacific Coffee, Mannings, Tao Heung, Insun Cinema, Zhongbai Life Theatre, Starbucks, Hotwind, Xiaomi, Semir, KM, Aike, Zihan, TeaMACC, Yi Fang and Lawson etc.

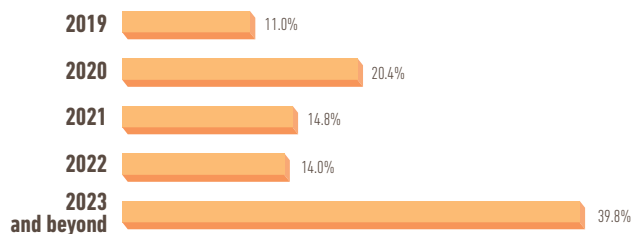
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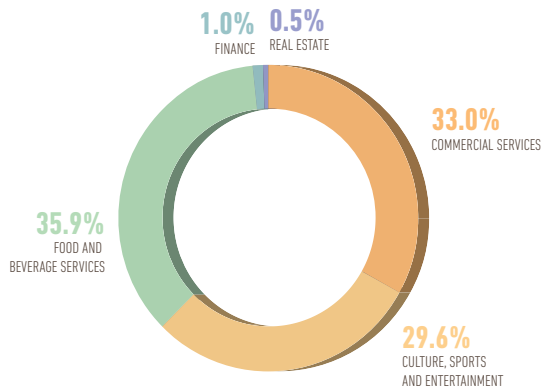


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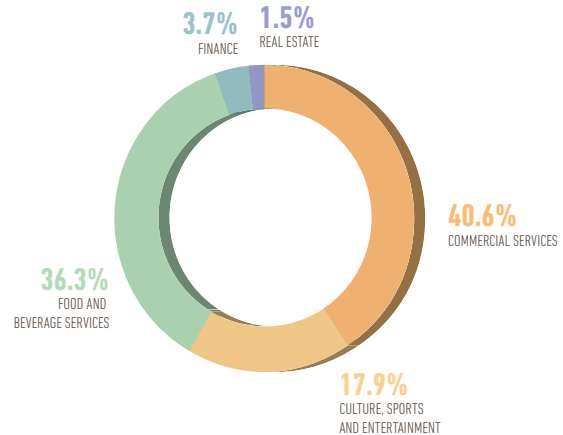
(By Basic Monthly Rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL



TOP 10 TENANTS BY RENTAL INCOME (As At 31 December 2018)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Wuhan KINGZONE Fitness Management Co., Ltd. (武漢空中領域健身管理有限公司)	Culture, Sports and Entertainment	8.1%	6.4%
Wuhan Insun Starry Victoria Cinema Co., Ltd. (武漢銀興星匯維港電影城有限責任公司)	Culture, Sports and Entertainment	11.0%	5.6%
中百倉儲超市有限公司	Commercial Service	8.1%	4.1%
China Construction Bank Corporation, Wuhan Qiaokou Sub-branch (中國建設銀行股份有限公司武漢礄口支行)	Finance	1.0%	3.7%
Wuhan Starry Victoria Hutaoli Restaurant Management Co., Ltd. (武漢維港胡桃里餐飲管理有限公司)	Food and Beverage	2.2%	3.6%
Wuhan Han Street Tao Heung Catering Co., Ltd., Qiaokou Zhongshan Avenue Branch (武漢漢街稻香飲食有限公司礄口中山大道分公司)	Food and Beverage	4.9%	2.6%
Wuhan Today's Dream Business Co., Ltd. (武漢今天夢想商貿有限公司)	Commercial Services	0.8%	2.4%
Chen Hua (陳化)	Food and Beverage	0.9%	1.9%
Wuhan Kengee Food Sales Co., Ltd.	Food and Beverage	0.5%	1.8%
Wuhan Morton Garments Co., Ltd.	Commercial Service	1.8%	1.6%
Total		39.3%	33.7%



HANGZHOU - JIANGGAN DISTRICT

HANGZHOU VICTORY BUSINESS CENTER



**HANGZHOU VICTORY BUSINESS CENTER
TOWER-A NEW OFFICE ENVIRONMENT WITH
270-DEGREE CIRCULAR-SCREEN DIAMOND
OFFICE BUILDINGS**

Hangzhou Victory Business Center Tower is located in Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province, within only 10-minute walking distance of junction (Sanbao station and Yudao station,) at which two planning metro lines (line 6 and line 9) and one airport express line will intersect, and will enjoy greater accessibility to the Xiaoshan International Airport, Asian Games Village and other main metro stations in the future. The project was completed in January of 2017, with a total area of more than 40,000sq.m., including two 18-storey Grade A offices, four blocks of detached villa-style office buildings and 2-storey underground car park spaces.

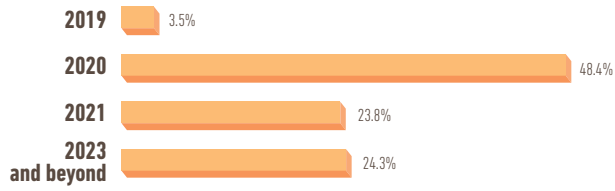
Hangzhou Victory Business Center Tower 2 now has a number of renowned enterprises, including Yuexiu Property, Hangzhou Customs, Powerchina Real Estate, Yuexiu Finance Leasing, Guangzhou Securities, Sunkwan Properties and CPI Ronghe (E-Commerce Association).



PROPERTY PORTFOLIO

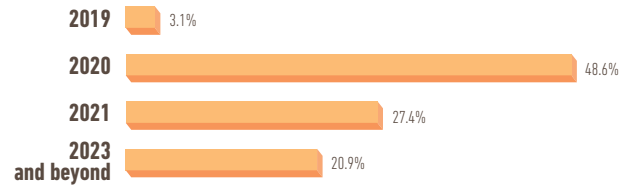
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(By Rental Area)

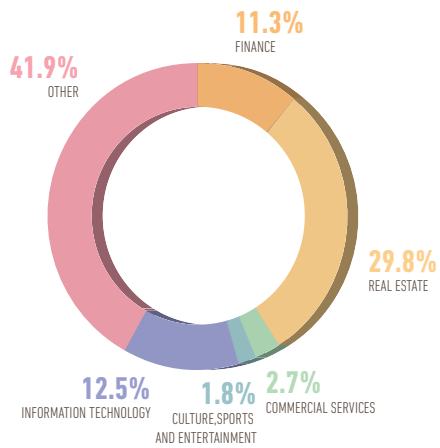


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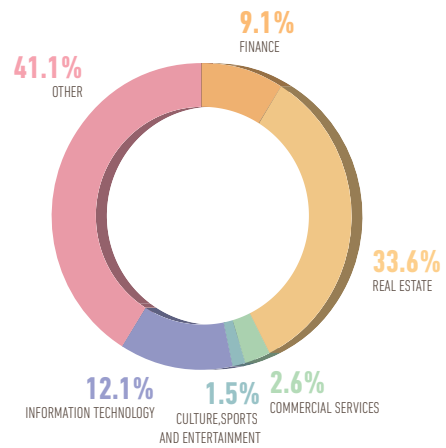
(By Basic Monthly Rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL





TOP 10 TENANTS BY RENTAL INCOME (As At 31 December 2018)

Name of Tenant	Type	% of Gross Rented Area	% of Monthly Rentals
Hangzhou Qiantang Wisevalley Industrial Construction Center	Other	17.0%	19.9%
Sijiqing Street Office of the People's Government of Jianggan District, Hangzhou	Other	19.2%	16.7%
Hangzhou Yuexiu Real Estate Development Co., Ltd.	Real Estate	12.3%	14.8%
Zhejiang Zhongdian Tourong Techonology Co., Ltd. (浙江中電投融科技有限公司)	Information Technology	6.7%	6.6%
Hangzhou Muzhuang Business Information Co., Ltd. (杭州木莊商務信息有限公司)	Finance	6.7%	5.2%
Hangzhou Kunxin Real Estate Co., Ltd.	Real Estate	4.9%	4.6%
Qianyun neighbourhood committee, Sijiqing Street, Jianggan District, Hangzhou	Other	5.6%	4.5%
Hangzhou Suriot Technology Co., Ltd.	Information Technology	4.9%	4.4%
Hangzhou Fengsheng Real Estate Development Co.,Ltd.	Real Estate	3.1%	4.2%
Hangzhou Longyue Property Co., Ltd. (杭州瀧悦置業有限公司)	Real Estate	3.1%	3.2%
Total		83.5%	84.1%



REPORT OF THE TRUSTEE

TRUSTEE REPORT TO UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of Yuexiu Real Estate Investment Trust has, in all material respects, managed the Yuexiu Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 7 December 2005, as amended by the First Supplemental Deed dated 25 March 2008, the Second Supplemental Deed dated 23 July 2010 and the Third Supplement Deed dated 25 July 2012 for the financial year ended 31 December 2018.

HSBC Institutional Trust Services (Asia) Limited

(in its capacity as the trustee of Yuexiu Real Estate Investment Trust)

Hong Kong, 25 February 2019

DIRECTORS' AND SENIOR EXECUTIVES' PROFILES



DIRECTORS

The Directors of the Manager are:

Name	Age	Position
Mr. LIN Zhaoyuan (林昭遠)	49	Chairman and Non-Executive Director (Resigned on 14 August 2018)
Mr. LIN Deliang (林德良)	49	Chairman, Executive Director and Chief Executive Officer (Chairman appointed on 14 August 2018)
Mr. CHENG Jiuzhou (程九洲)	47	Executive Director and Deputy Chief Executive Officer
Mr. LI Feng (李鋒)	50	Non-Executive Director
Mr. LIANG Danding (梁丹青)	46	Non-Executive Director (Appointed on 14 August 2018)
Mr. CHAN Chi On, Derek (陳志安)	55	Independent Non-Executive Director
Mr. CHAN Chi Fai, Brian (陳志輝)	64	Independent Non-Executive Director
Mr. CHEUNG Yuk Tong (張玉堂)	61	Independent Non-Executive Director
Mr. CHEN Xiaou (陳曉歐)	49	Independent Non-Executive Director

CHAIRMAN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. LIN Deliang

Mr. Lin has been appointed as Chairman on 14 August 2018 and is an Executive Director and Chief Executive Officer of the Manager and as one of the Responsible Officers licensed under the Securities & Futures Ordinance ("SFO") and is authorized to carry out type 9 regulated activities. He also supervises the risk management and safety management of Yuexiu REIT.

Prior to joining the Manager, Mr. Lin was the deputy general manager of Guangzhou Dongfang Hotel Group of the Yuexiu group, responsible for, among others, lease and sales, financial revenue management, hotel brand development and tourism affairs. After joining Guangzhou City Construction & Development Co. Ltd. (廣州市城市建設開發有限公司) ("GCCD") in 1992, Mr. Lin held various managerial positions in the investment development department of GCCD as well as in Xingye Real Estate Agent Co., Ltd. (being a subsidiary of Yuexiu Property Company Limited ("Yuexiu Property"), a company listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") (Stock Code: 00123) and Guangzhou Investment (HK Property) Company Limited. Mr. Lin participated in and was in charge of investment recommendation, market analysis, feasibility study, sales and marketing programmes for various large scale residential and commercial properties of the Yuexiu Property, and was responsible for the sales of properties located in, among others, Hong Kong, Macau, France and Singapore from 2003 to 2005.

Mr. Lin is familiar with investment, sales and operation of properties as well as hotel management. He has over 20 years experience of property investment and operation strategies. Mr. Lin is a qualified Real Estate Appraiser of China, China Land Valuer and China Real Estate Agent.

Mr. Lin graduated from Jinan University in the PRC with professional studies in corporate management, and obtained a bachelor degree in economics. He completed a MBA postgraduate course at South China University of Technology from 2004 to 2005.



DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

EXECUTIVE DIRECTOR AND DEPUTY CHIEF EXECUTIVE OFFICER

Mr. CHENG Jiuzhou

Mr. Cheng Jiuzhou is an Executive Director and Deputy Chief Executive Officer of the Manager and one of the Responsible Officers licensed under the SFO.

Mr. Cheng joined GCCD in 1996, following which he has held various managerial positions in GCCD and its subsidiaries. From 2006 to 2008, Mr. Cheng was the head supervisor of asset management and the deputy chief executive officer of the Manager. Mr. Cheng subsequently became the general manager and chairman of Guangzhou White Horse Business Management Co., Ltd. and Guangzhou Yicheng Property Management Ltd. (being the leasing agents of Yuexiu REIT) from 2008 to 2014, Mr. Cheng was re-appointed as the deputy chief executive officer of the Manager in 2014 and became one of the Manager's Responsible Officers in 2016.

Mr. Cheng has over 20 years of experience in real estate market research and the operation and management of commercial real estate. He also holds the practicing qualifications and titles of China Property Valuer, China Registered Property Manager and Senior Economist, and is hired by the Guangzhou Municipal People's Government as a major administrative decision making argumentation expert for Guangzhou City.

Mr. Cheng graduated from Hubei University in PRC with a law degree in 1993, and obtained a masters degree in economics from Jinan University in PRC.

NON-EXECUTIVE DIRECTOR

Mr. LI Feng

Mr. LI is Non-Executive Director of the Manager. He is also an executive director of Yuexiu Property, a non-executive director of Chong Hing Bank Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 01111), an executive director of Yue Xiu Transport Infrastructure Limited ("Yuexiu Transport"), a company listed on the Hong Kong Stock Exchange (Stock Code: 01052) and a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 000987). Mr. Li is also a director of GCCD.

Besides, Mr. Li is also the chief capital officer of Guangzhou Yue Xiu Holdings Limited (廣州越秀集團有限公司) ("Guangzhou Yue Xiu") and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") and is in charge of the capital operation department, the customer resource management and synergy department and the information centre of Guangzhou Yue Xiu and Yue Xiu, mainly responsible for formulating and implementing major capital management plans, organizing and coordinating the investor relationship of the listed companies, optimizing and upgrading the customer resource management and synergizing, promoting and improving information construction. Mr. Li also holds the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government, he is also the president of Association of Guangzhou Belt and Road Investment Enterprises, secretary-general of Council for the Promotion of Guangzhou-HongKong-Macao Cooperation, director of Guangzhou People's Association for Friendship with Foreign Countries and vice-president of The Listed Companies Council, Hong Kong Chinese Enterprises Association. Mr. Li joined Yuexiu in December 2001 and has successively held positions in Guangzhou Yue Xiu and Yue Xiu including the assistant to general manager, assistant manager of the corporate management department, assistant to general manager of the supervision and auditing department, deputy general manager of the capital department and deputy general manager of Yue Xiu International Development Limited. Mr. Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of Guangzhou Yue Xiu and Yue Xiu; before that, he was also involved in the successful listing of Yuexiu REIT, and has extensive practical experience in capital operations.

Mr. Li graduated from Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in naval architecture, and obtained a master of business administration degree from Jinan University. He holds the qualification of a Senior Engineer in China.

Mr. LIANG Danqing

Mr. Liang Danqing is Non-Executive Director of the Manager. He is also currently the deputy general manager of Yuexiu Property and a director and deputy general manager of GCCD. From 2006 to 2014, Mr. Liang served as the deputy chief executive officer and the director of corporate services of the Manager, and he was responsible for asset management operations and overseeing corporate services of the Manager. Prior to joining the Manager, Mr. Liang was the general manager of GCCD's marketing centre and the general manager of commercial property business department and the general manager of Guangzhou Yue Xiu Commercial Property Investment Management Co., Ltd. Mr. Liang holds a real estate agent's licence of the PRC and has over 24 years of experience in property investment, planning and marketing.

Mr. Liang graduated from South China University of Technology, majoring in management engineering. He also obtained a master degree of business administration from the University of Western Sydney.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Chi On, Derek

Mr. Chan is an Independent Non-Executive Director ("INED") of the Manager.

Mr. Chan has over 25 years of experience in the financial services industry and is a co-author of a book on listing procedures and securities rules and regulation in Hong Kong.

Mr. Chan is currently the chairman of Halcyon Capital Limited and Halcyon Securities Limited, which are engaged in corporate finance and securities businesses in Hong Kong respectively. He worked for the Hong Kong Stock Exchange from 1989 to 1996 and was an executive director of Haitong International Securities Group Limited (Stock Code: 00665) (formerly known as Taifook Securities Group Limited), and had been the head of its corporate finance division for 16 years until the end of 2012.

Mr. Chan is also currently an independent non-executive director of Longfor Group Holdings Limited (Stock Code: 00960) and China Conch Venture Holdings Limited (Stock Code: 00586). Until his resignation in March 2016 and April 2018, Mr. Derek Chan was an independent non-executive director of Global International Credit Group Limited (Stock Code: 01669) and Tianli Holdings Group Limited (Stock Code: 00117). The shares of the companies mentioned above are listed on the Hong Kong Stock Exchange.

Mr. Chan graduated from the Hong Kong University of Science and Technology with a master's degree in business administration in 1994 and from the University of Hong Kong with a bachelor's degree in social sciences (majoring in economics) in 1985.



DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

Mr. CHAN Chi Fai, Brian

Mr. Chan is an INED of the Manager.

Mr. Chan is currently also a director of the Hong Kong Parkview Group. He has been heavily involved in the overall development of the Hong Kong Parkview Group since he joined the group in 1990. With projects and investment properties in Hong Kong, PRC, Singapore and United Kingdom, the Hong Kong Parkview Group is principally engaged in property development and hospitality.

Prior to joining the Hong Kong Parkview Group, Mr. Chan worked in the banking sector from 1978 to 1989, the first 7 years of which was with a reputable international bank. The last position Mr. Chan held before leaving his banking career was as group financial controller of IBI Asia (Holding) Limited. During his 11 years in banking, Mr. Chan was involved in international banking operations, mergers and acquisitions as well as financial and risk management.

Mr. Chan is a director of Primeline Energy Holdings Inc., which is listed on the TSX Venture Exchange (Stock Code: PEH.V).

Mr. Chan is a certified public accountant with professional accounting qualifications in Hong Kong and United Kingdom, and has a higher diploma in business studies from Hong Kong Polytechnic University.

Mr. CHEUNG Yuk Tong

Mr. Cheung is an INED of the Manager.

Mr. Cheung joined Baker & McKenzie in 1982 and worked in the Chicago, Beijing, Shanghai and Hong Kong offices of the firm. He was a partner in the corporate group of Baker & McKenzie's Hong Kong office, and was co-head of its Hong Kong and China mergers and acquisitions practice until June 2013 when he ceased to be a partner of Baker & McKenzie. His practice was focused in the areas of mergers and acquisitions and corporate finance.

Mr. Cheung was a member of the Judging Panel for the Corporate Governance Excellence Awards organized by the Hong Kong Chamber of Listed Companies from 2012 to 2015. He was also a member of the Takeovers and Mergers Panel and the Takeovers Appeals Committee of the Securities and Futures Commission of Hong Kong from 2012 to 2014.

Mr. Cheung graduated from the University of Hong Kong with an LL.B. and a postgraduate certificate in laws, and from the London School of Economics with an LL.M.. He was admitted as a solicitor in Hong Kong and England, and as an attorney-in-law in New York.

Mr. CHEN Xiaou

Mr. Chen is an INED of the Manager.

Mr. Chen, has over 23 years of professional experience in large scale real estate asset management and investment, fund management, development, planning and design and international business operations. He has been living and working in PRC, United States, Hong Kong, Singapore and Australia for many years. He is the deputy vice chairman of The Building Owners and Managers Association China ("BOMA") and a BOMA-certified commercial real estate expert.

Mr. Chen is the chairman of F.O.G. Capital & Asset Management Corporation, and had been vice president, China, of CDPQ-Ivanhoe Cambridge. His past experience also includes an executive position in New World China Land, the China property flagship of New World Development Company Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 00017). He had worked as an architectural designer and urban planner in United States. Mr. Chen's management record includes large scale mixed-use development, high-end residential, retail, office and hotel projects.

Mr. Chen is a visiting professor of Cheung Kong Graduate School of Business, and is also the MBA Mentor for The School of Business of Renmin University of China. He received an AMDP (Advanced Management Development Program in Real Estate) certificate from Harvard University Graduate School of Design in 2010, obtained a master of architecture degree from University of New South Wales in Australia in 1999, and obtained a bachelor of architecture degree from Northwestern Polytechnical University in China in 1992.

COMPENSATION OF DIRECTORS OF THE MANAGER

All fees and compensation of the Directors and senior executives of the Manager were borne by the Manager and not by Yuexiu REIT or any of its controlled entities.

INDEPENDENCE OF DIRECTORS

The Manager has received written annual confirmation of independence from each of the four INEDs of the Manager confirming his independence based on the criteria set out in the Compliance Manual and the Manager considered all independent non-executive Directors to be independent.

SENIOR EXECUTIVES OF THE MANAGER

Mr. LIN Deliang

Mr. Lin is the Chairman, Chief Executive Officer, Executive Director and one of the Responsible Officers of the Manager. Information on his business and working experience have been set out in the subsection headed "Directors" above.

Mr. CHENG Jiuzhou

Mr. Cheng is the deputy chief executive officer, Executive Director and one of the Responsible Officers of the Manager. Information on his business and working experience have been set out in the subsection headed "Directors" above.

Mr. YU Tat Fung

Mr. Yu is the company secretary and appointed as the compliance manager on 1 March 2010 of the Manager. He is also the group general counsel of Yue Xiu and is responsible for the company secretarial affairs and compliance of the Manager. From October 2004, Mr. Yu was the company secretary of both Yuexiu Property and Yuexiu Transport, and he has also been appointed as the company secretary of Yue Xiu since January 2014. Mr. Yu obtained a bachelor's degree in social sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining Yuexiu Property in 1997, he was engaged in private practice with an emphasis on corporate and commercial law.

Mr. KWAN Chi Fai

Mr. Kwan is the Chief Financial Officer and one of the Responsible Officers of the Manager. He is responsible for the financial management of the Manager. Prior to joining Yue Xiu in January 2007, Mr. Kwan was the financial controller of 2 companies which are listed on the Hong Kong Stock Exchange. He has over 25 years of experience in finance, accounting and taxation.

Mr. Kwan is a member of Chartered Professional Accountants of Canada, the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. He obtained a master degree in business administration and a bachelor degree in accounting from the University of Hong Kong.



DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

Ms. OU Haijing

Ms. Ou is the general manager of the asset management department of the Manager and one of the Responsible Officers of the Manager. She is responsible for supervise the asset investment of the Manager, including leasing, property management and asset enhancement. She joined the Yuexiu group in 2002, she was also involved in the successful listing of Yuexiu REIT, and she was the head supervisor of the investment team of the Manager from 2007 to 2009. She was subsequently responsible for the internal governance and human resources management of the Manager from 2009 to 2015. Before joining the Manager, Ms. Ou was mainly engaged in the capital operations and had participated in various mergers and acquisitions.

Ms. Ou has over 10 years of experience in internal government management in Yuexiu REIT. She is now a licensed person under the SFO and is authorized to carry out regulated activities of type 9.

Ms. Ou was graduated from Jinan University in PRC with professional studies in international economics and trade and economic law, and obtained a bachelor degree in Economics and a Bachelor degree in Law (i.e. a double degree). Subsequently, she completed postgraduate studies in finance at the Lingnan College of Sun Yat-Sen University in 2003.

Ms. YOU Quan

Ms. You is the general manager of the project development department of the Manager. She is mainly responsible for the capital technical alteration, risk control and facility management operations of the properties. Before joining the Manager by the end of 2018, Ms. You was a project manager of TaiKoo Hui Guangzhou Development Co., Ltd.; nearly 10 years of HVAC director of Guangzhou City Construction & Development Design Institute Co.,Ltd, and she has successively held positions such as technology and design department director, design and engineering department deputy director, regional director, project management department general manager of subsidiaries of Yuexiu Property since 2010. She has rich experience in both engineering and operation management, involved in management of 5-stars hotels, likes Guangzhou Four Seasons Hotel, and super high-rise buildings and city level multi-functional commercial complexes, likes Guangzhou IFC and TaiKoo Hui.

Ms. You graduated from the HVAC, Gas and Refrigeration Department of Chongqing University of Architecture in 1995 with a master degree in engineering. She has a wide range of professional knowledge and is the holder of certified Public Utility Engineer (HVAC) qualification, senior HVAC engineer license, fire facility design certificate, building equipment engineer license.

Mr. YU Xinyuan, Philip

Mr. Yu is the Owner Representative of hotels and apartments of the Manager. Mr.Yu joined the Yuexiu Property since 2008, he was involved in the Guangzhou Four Seasons Hotel and Ascott Serviced Apartment management contracts negotiation and related preopening works for Guangzhou IFC projects. Mr.Yu joined the Manager in 2012, and was the deputy general manager of hotels and apartments department. Before joining the Yuexiu Property, Mr.Yu had served as the department manager and general manager in domestic high-star level hotels. Mr. Yu has accumulated abundant experiences on hotel operations, preopening works and asset management.

Mr. Yu graduated from Quanzhou Huaqiao University in 1992 with a bachelor degree in economics. Mr. Yu is also the members of Hospitality Asset Managers Association in Asia Pacific and China branch.

Mr. LIU Bihong

Mr. Liu is the general manager of the internal audit department and the deputy general manager of the compliance department of the Manager, and also the vice president of the legal department of Yue Xiu. He is mainly responsible for the examination of the correctness and completeness of the records of the operations and transactions, and also responsible for the prevention and management of PRC legal risks, and provides PRC legal support for the Manager's business and investment acquisitions. He assists in compliance work to ensure that conforming to the requirements of the regulatory bodies such as the Hong Kong Stock Exchange and the SFC. He is also responsible for the corporate service of the Manager. Mr. Liu joined the GCCD Group in 1999 and worked in legal department. He was involved in the successful listing of Yuexiu REIT.

Mr. Liu obtained a bachelor degree in engineering from Jilin University of Technology (吉林工業大學) in 1994 and graduated from the Sun Yat-sen University in 2005 with a Juris master degree. Mr. Liu has a wide range of professional knowledge and has gained professional qualifications successively in PRC, including Chinese Lawyer Qualification (1996), Certified Public Accountant (1998), Enterprise Legal Consultant (2000) and the Qualification for Registered Tax Agent (2001).

Mr. LIAO Ningjun

Mr. Liao is the director and responsible person of the Shanghai project posted by the Manager. Mr. Liao joined the Yue Xiu group since 1992, he had been the general manager assistant of the finance and accounts department of Yue Xiu group and was the director and deputy general manager of Yue Xiu Finance Company Limited and Yue Xiu Securities Company Limited. He was involved in the successful listing of Yuexiu REIT, and had been the general manager of the investment department, head of the investment department and assistant to chief executive officer of the Manager from 2005 to 2015. Before joining the Manager, Mr. Liao worked with the Guangzhou Municipal Finance Bureau and the Guangzhou Municipal Taxation Bureau where he obtained broad spectrum of PRC financial and taxation exposure.

Mr. Liao graduated from Guangzhou Financial School majoring in accounting and financial management, and possesses a master's degree in business administration from Murdoch University, Australia. He is now a licensed person under the SFO and is authorized to carry out regulated activities of type 9.

Mr. CHEN Yongqin

Mr. Chen is currently the general manager of the finance department of the Manager and is responsible for the finance, taxation and fund management of the Manager. Mr. Chen joined GCCD Group in 2005 and has successively held positions such as deputy manager and senior manager of the finance department of a subsidiary of GCCD. He has nearly 15 years of experience in finance and auditing in the real estate industry.

Mr. Chen graduated from the accounting department of Sun Yat-sen University in 2002 with a bachelor's degree in management. Mr. Chen is a certified Internal Auditor (CIA), U.S. Certified Information System Auditor (CISA), Certified Fraud Examiner, and U.S. Certified Risk Manager. Mr. Chen is also a member of Australia Institute of Public Accountants (IPA), U.K. Institute of Financial Accountants (IFA) and International Forensic Certified Public Accountants Association.



THE LEASING AGENTS

THE LEASING AGENTS

Yicheng was incorporated in the PRC in 1997 and is 85.7% owned by Yuexiu Property. It was GB/T19001-2016/ISO9001:2015, GB/T28001-2011/OHSAS 18001:2007 and GB/T24001-2016/ISO14001:2015 certified in 2018.

Baima BM (previously known as Guangzhou White House Property Management Co. Ltd was incorporated in the PRC in 1998) provide leasing, marketing, tenancy management and property management services to White Horse Building and has been exclusively managing the property since 1998. It was GB/T19001-2016/ISO9001:2015 certified in 2018.

Guangzhou Yue Xiu Asset Management Company Limited ("GZAM") was incorporated in the PRC in 2012 to provide leasing, marketing and tenancy management services for the office buildings and retail mall of GZIFC and Shanghai Yue Xiu Tower.

CONFLICTS OF INTEREST

Yuexiu Property, its subsidiaries and associates are engaged in, amongst other things, investment in and development and management of commercial properties. Possible conflicts of interest may arise where Yuexiu REIT competes directly with Yuexiu Property and/or its subsidiaries or associates for property acquisitions and tenants. In order to address such potential conflict of interest, the following arrangements have been made.

SEGREGATION OF OPERATIONAL LEASING AND MARKETING FUNCTIONS

The Yuexiu Property Group has effected an internal restructuring which resulted in White Horse PM, Yicheng and GZAM (together "Leasing Agents") only being solely responsible for providing leasing and marketing services to Yuexiu REIT's properties and another company within the Yuexiu Property group ("YXP Property Manager") will be responsible for providing such services to properties not belonging to Yuexiu REIT.

"CHINESE WALLS"

"Chinese Wall" procedures have been put in place to ensure that there is segregation of information between the Leasing Agents and the YXP Property Manager. These include having separate operating premises and IT systems, and separate reporting lines, for each of the Leasing Agents and the YXP Property Manager. Both Leasing Agents have on-site premises for its use in connection with its property management functions. The personnel and IT systems of the Leasing Agents and the YXP Property Manager have been physically segregated.

CONTRACTUAL PROTECTION

Contractual provisions have been included in each of the tenancy services agreements entered into between the Manager and Partat Investment Limited (“Partat”), Moon King Limited (“Moon King”), Full Estates Investment Limited (“Full Estates”), Keen Ocean Limited (“Keen Ocean”), Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd (“GYCCIFC”), Shanghai Hong Jia Real Estate Development Co., Ltd. (“Shanghai Hong Jia”), Wuhan Yuexiu Property Development Limited (“Wuhan YXP”) Hangzhou Yuehui Real Estate Development Co., Ltd (“Hangzhou Yuehui”) or, as the case may be, and the relevant Leasing Agent to provide that:

- (i) the Leasing Agents will at all times act in the best interests of Yuexiu REIT and exercise a reasonable standard of care, skill, prudence and diligence under the circumstances then prevailing that a reputable leasing agent would use in providing similar services for comparable local commercial properties;
- (ii) the Leasing Agents will adhere to the organisational charts and reporting lines agreed with the Manager and will act in accordance with the directions of the Manager;
- (iii) the Leasing Agents will implement the annual business plan and budget approved by the Manager every year and use its best endeavours to achieve the revenue targets in such approved annual business plan and budget; and
- (iv) if leasing or marketing opportunities in relation to any of the Properties become available to the Leasing Agents which the Leasing Agents, acting reasonably and in good faith, consider are or are likely to be in competition with the YXP Property Manager, the Leasing Agents will either:
 - refer all such business proposals to the Manager for vetting and confirmation before the relevant Leasing Agent proceeds with such proposals or opportunities; or
 - sub-contract to a third party leasing agent independent of the YXP Group, to devise and implement the relevant business proposal.

YXP, being the parent company of the Leasing Agents, has provided an undertaking to Yuexiu REIT that it will procure that the Leasing Agents will comply with the relevant provisions set out in the tenancy services agreements in this regard.



CORPORATE GOVERNANCE

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Yuexiu REIT in a transparent manner and with built-in checks and balances. Set out below is a summary of the key components of the corporate governance policies that have been adopted and are followed by the Manager and Yuexiu REIT.

AUTHORISATION STRUCTURE

Yuexiu REIT is a unit trust authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has three persons who are approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and Rule 5.4 of the REIT Code, Mr. Lin Deliang and Mr. Cheng Jiuzhou, the Executive Directors of the Manager, are also Responsible Officers of the Manager pursuant to the requirements of section 125 of the SFO. Mr. Kwan Chi Fai is also a Responsible Officer.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29) and is qualified to act as a trustee for authorised collective investment schemes under the SFO and the REIT Code.

ROLES OF THE TRUSTEE AND MANAGER

The Trustee is responsible under the Trust Deed for, among other things, the safe custody of the assets of Yuexiu REIT held by it on behalf of Unitholders. The Manager's role under the Trust Deed is to manage Yuexiu REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of Yuexiu REIT's assets are professionally managed in the sole interests of the Unitholders.

FUNCTIONS OF THE BOARD

As at 31 December 2018, the board of Directors of the Manager ("Board") currently comprises eight members, four of whom are INEDs.

The Board principally oversees the day-to-day management of the Manager's affairs and the conduct of its business and is responsible for the overall governance of the Manager. The Board's function is largely separated from, and independent of, the executive management function. The Board leads and guides the Manager's corporate strategy and direction. Day-to-day management functions and certain supervisory functions have been delegated to relevant committees of the Board and a schedule of matters specifically reserved to the Board has been formally adopted. The Board exercises its general powers within the limits defined by the Manager's articles of association ("Articles of Association"), with a view to ensuring that management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the Manager. In accordance with the REIT Code, the Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty.

ROLES OF THE KEY BOARD MEMBERS

The roles of the key members of the Board are as follows:

- Chairman - responsible for the overall leadership of the Board and the Manager generally.
- Chief Executive Officer - responsible for the day-to-day operations of the Manager and supervises the Manager's management team to ensure that Yuexiu REIT is operating in accordance with its stated strategies, policies and regulations.
- INEDs - govern the Manager through the Board and their participation in Board committees.

BOARD COMPOSITION

The composition of the Board is determined using the following principles:

- the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management and the property industry; and
- at least half of the Board and, in any event, not less than three Directors should comprise INEDs.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

BOARD MEETINGS

Board meetings will normally be held at least four times a year at approximately quarterly intervals. To ensure that Directors will be given sufficient time to consider the issues to be tabled at the various Board meetings, details of the venue, time and agenda of the meeting are required to be given at least 10 clear days in advance of the meeting (except if there are exceptional circumstances or if the majority of Directors agree to a shorter period of notice).

No Board meeting, or any adjourned Board meeting, will be quorate unless a simple majority of Directors for the time being (excluding any Directors which the Manager has a right to exclude for that purpose, whether pursuant to a contract or otherwise) are present at the time when the relevant business is transacted. A Director who, whether directly or indirectly, has a material interest in a contract or proposed contract with the Manager, which is of significance to the Manager's business, he must declare the nature of his interest during the Board meeting or by giving a general notice to the Board, whichever is earlier before the question of entering into the contract is taken into consideration on behalf of the Manager.

A Director who is prohibited from voting by reason of a conflict of interest will not be counted for the purposes of establishing the necessary quorum for the meeting.

Matters to be considered by the Board will be adopted on the basis of a simple majority of votes.



CORPORATE GOVERNANCE

The Manager has held thirteen full Board meetings, two of which was held by means of written resolution, during the Reporting Year and the attendance of individual directors at such Board meetings is as follows:

Members of the Board	Number of meetings attended
Chairman and Executive Director	
Mr. Lin Deliang (appointed as Chairman on 14 August 2018)	13
Chairman and Non-executive Director	
Mr. Lin Zhaoyuan (resigned on 14 August 2018)	7
Executive Directors	
Mr. Cheng Jiuzhou	12
Non-executive Director	
Mr. Li Feng	11
Mr. Liang Danqing (appointed on 14 August 2018)	5
Independent Non-executive Directors	
Mr. Chan Chi On, Derek	13
Mr. Chan Chi Fai, Brian	12
Mr. Cheung Yuk Tong	13
Mr. Chen Xiaouu	13

BOARD COMMITTEES

The Board has the power to delegate to committees consisting of such numbers of its body as it thinks fit. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear terms of reference to review specific issues or items and to then submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are as follows:

AUDIT COMMITTEE

The Audit Committee comprises INEDs only (at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise) and should have at least three members. As at the date of this report, the members of the Audit Committee are Mr. Chan Chi On, Derek, Mr. Cheung Yuk Tong and Mr. Chan Chi Fai, Brian. Mr. Chan Chi Fai, Brian is the Chairman of the Audit Committee. Among other matters, it reviews the completeness, accuracy and fairness of Yuexiu REIT's financial statements and considers the scope, approach and nature of internal and external audit reviews, and is responsible for the overall risk management.

The Audit Committee's responsibilities also include:

- (1) appointing external auditors, reviewing their reports and guiding management to take appropriate actions to remedy faults or deficiencies identified in internal control.
- (2) monitoring the procedures in place to ensure compliance with applicable legislation, the REIT Code and the applicable Listing Rules.
- (3) reviewing all financial statements and internal audit reports.
- (4) reviewing and monitoring the procedures established to regulate connected party transactions, including ensuring compliance with the provisions of the REIT Code relating to transactions between Yuexiu REIT and a "connected person" (as defined in REIT Code).

The Audit Committee meets on a half yearly basis and otherwise on an as-needed basis. During the Reporting Year, six meetings of the Audit Committee were held, none of which was held by means of written resolution.

Audit Committee meeting was held during 2018 for considering and reviewing 2017 annual result, 2018 interim result, connected party transactions and other internal controls, risk management and compliance matters of Yuexiu REIT.

The attendance of members at such meetings is as follows:

Members attended	Number of meetings attended
Mr. Chan Chi Fai, Brian (Chairman)	5
Mr. Chan Chi On, Derek	6
Mr. Cheung Yuk Tong	6

The external auditors of Yuexiu REIT attended the Audit Committee meeting to report major audit issues and findings. The Audit Committee also met with the external auditors without the presence of the management team of the Manager twice during the Reporting Year.

FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee comprises seven Directors, including the Chairman, the Chief Executive Officer and at least one INED. As at the date of this report, the members of the Finance and Investment Committee are Mr. Lin Zhaoyuan (resigned on 14 August 2018), Mr. Lin Deliang, Mr. Cheng Jiuzhou, Mr. Li Feng, Mr. Liang Danqing (appointed on 14 August 2018), Mr. Chan Chi On, Derek, Mr. Chan Chi Fai, Brian and Chen Xiaou. Mr. Lin Deliang is the Chairman of the Finance and Investment Committee. It is responsible for, among other matters, evaluating and making recommendations on proposed acquisitions and disposals of assets, approving budgets and reviewing actual expenses on all key expenditures and reviewing the quarterly financial performance, forecasts and annual financial plan of the Manager and Yuexiu REIT. The Finance and Investment Committee also reviews and recommends changes to financial authorities, policies or procedures in areas such as accounting, taxes, treasury, distribution payout, investment appraisal, management and statutory reporting.



CORPORATE GOVERNANCE

Finance and Investment Committee meeting was held during 2018 for reviewing 2017 annual result, 2018 interim result, bank loan refinancing, foreign exchange and capital renovation of Yuexiu REIT.

The Finance and Investment Committee has held six meetings, none of which was held by means of written resolution, during the Reporting Year, and the attendance of members at such meetings is as follows:

Members attended	Number of meetings attended
Mr. Lin Deliang (Chairman)	6
Mr. Li Feng	4
Mr. Lin Zhaoyuan (resigned on 14 August 2018)	2
Mr. Cheng Jiuzhou	5
Mr. Liang Danqing (appointed on 14 August 2018)	4
Mr. Chan Chi On, Derek	6
Mr. Chan Chi Fai, Brian	5
Mr. Chen Xiaouu	6

DISCLOSURES COMMITTEE

The Disclosures Committee comprises the Chief Executive Officer and at least one INED. Among other matters, it is responsible for reviewing matters relating to the regular, urgent and forward looking disclosure of information to Unitholders and public announcements and circulars. The Disclosures Committee also oversees compliance with applicable legal requirements (including those relating to Yuexiu REIT's connected party transactions) and the continuity, accuracy, clarity, completeness and currency of information disseminated by the Manager and Yuexiu REIT to the public and applicable regulatory agencies.

The Disclosures Committee's responsibilities also include:

- 1 Regularly review and recommend to the Board on matters of corporate disclosure issues and announcements, financial reporting, connected party transactions and potential areas of conflict of interests.
- 2 Oversee compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and circulation of information disseminated by both the Manager and the Yuexiu REIT to the public and applicable regulatory agencies.
- 3 Review and approve all material non-public information and all public regulatory filings of the Group prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable.

The Disclosures Committee members are appointed by the Board from among the Directors. The Disclosures Committee presently consists of two members, namely, Mr. Lin Deliang and Mr. Chan Chi On, Derek. Mr. Chan Chi On, Derek is the Chairman of the Disclosures Committee.

The Disclosures Committee meets on a half yearly basis and otherwise on an as-needed basis. During the Reporting Year, twenty meetings of the Disclosures Committee were held, eleven of which were held by means of written resolutions.

The Disclosures Committee meetings were held during 2018 for considering and reviewing results announcements, interim and annual reports and other corporate disclosure issues of Yuexiu REIT.

The attendance of members at such meetings is as follows:

Members attended	Number of meetings attended
Mr. Chan Chi On, Derek (Chairman)	20
Mr. Lin Deliang	20

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises of one member appointed by Manager and three INEDs. As at the date of this report, the members of the Remuneration and Nomination Committee are Mr. Lin Zhaoyuan (resigned on 14 August 2018, Mr. Lin Deliang (appointed on 14 August 2018), Mr. Chan Chi On, Derek, Mr. Chan Chi Fai, Brain and Mr. Cheung Yuk Tong. Mr. Cheung Yuk Tong is the Chairman of the Remuneration and Nomination Committee. Among other matters, it reviews the terms and conditions of employment of all staff and Directors (other than the members of the Remuneration and Nomination Committee, whose remuneration is determined by the Board) and recommends the manpower deployment plan (including the succession plan for the management of the Manager and the Board), remuneration and retirement policies and packages. It ensures that no Director is involved in deciding his own remuneration. It is also responsible for reviewing the structure, size and composition of the Board and its committees on an ongoing basis and for nominating, and providing recommendations on, persons for appointment, re-appointment or removal as Directors. If a member of the Remuneration and Nomination Committee is subject to re-appointment or removal, then such Director will abstain from participating in such discussions.

Remuneration and Nomination Committee meetings were held during 2018 for appointing a new Chairman and non-executive director for appointing new directors of PRC Companies, and addition of a new Responsible Officer, reviewing the performance management and manpower deployment of the Yuexiu REIT and the Manager and reviewing the structure, size and composition of the board and committees.



CORPORATE GOVERNANCE

The Remuneration and Nomination Committee has held five meetings, no meeting was held by means of written resolution during the Reporting Year and the attendance of members at such meetings is as follows:

Members attended	Number of meetings attended
Mr. Cheung Yuk Tong (Chairman)	5
Mr. Lin Zhaoyuan (resigned on 14 August 2018)	2
Mr. Lin Deliang (appointed on 14 August 2018)	2
Mr. Chan Chi On, Derek	5
Mr. Chan Chi Fai, Brian	5

INDEPENDENT BOARD COMMITTEE

Independent Board Committee presently comprises of four INEDs, namely, Mr. Chan Chi On, Derek, Mr. Cheung Yuk Tong, Mr. Chan Chi Fai, Brian and Mr. Chen Xiaou.

One Independent Board Committee has held during the Reporting Year.

Independent Board Committee held between INEDs and IFA concerning the connected party transactions relating to the acquisition of a commercial property in Hangzhou and reviewing and approving the acquisition of a Hangzhou commercial property;

Members attended	Number of meetings attended
Mr. Chan Chi On, Derek	1
Mr. Chan Chi Fai, Brian	1
Mr. Cheung Yuk Tong	1
Mr. Chen Xiaou	1

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

In accordance with the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Directors should also provide the company with their respective training records according to the Corporate Governance Code.

During the Reporting Year, the Directors have participated in relevant seminars or readings etc. which covered topics relating to the management and related regulations, as well as compliance issues with respect to the Listing Rules and the Securities and Futures Ordinance. Based on the Director's training records, trainings received by each Director during the period from 1 January 2018 to 31 December 2018 are summarized as follows:

Name of Directors	Readings on publications and newspapers on updated information about economics, commerce, Directors duties, etc.	Participation in trainings/briefings/ corporate governance/ seminars/ conferences relevant to Directors' duties
Executive Directors		
Mr. Lin Deliang	√	√
Mr. Cheng Jiuzhou	√	√
Non-Executive Director		
Mr. Lin Zhaoyuan (resigned on 14 August 2018)	√	√
Mr. Li Feng	√	√
Mr. Lin Deliang (appointed on 14 August 2018)	√	√
Independent Non-Executive Directors		
Mr. Chan Chi On, Derek	√	√
Mr. Chan Chi Fai, Brian	√	√
Mr. Cheung Yuk Tong	√	√
Mr. Chen Xiaou	√	√

APPOINTMENT AND REMOVAL OF DIRECTORS

Directors may be nominated for appointment by the Board following a recommendation made by the Remuneration and Nomination Committee. All Directors will be appointed for specific terms. One-fourth of the INEDs who are subject to retirement by rotation (if necessary, rounded up to the nearest whole number) will retire at every annual general meeting from and including the first annual general meeting and the retiring Directors on each occasion will be those who have been in office longest since their last appointment or re-appointment, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by ballot.

The Chairman has been appointed for an initial term of three years. Upon the expiration of such initial term, he may be re-appointed as a Chairman.

A Director may also be removed from office if served with a notice of removal signed by all of the other Directors. An outgoing Director must abstain from voting in respect of a resolution proposed at a Board meeting in respect of the appointment of his successor or his re-appointment.



CORPORATE GOVERNANCE

Directors may be nominated for appointment and/or removal by the Board (following a recommendation made by the Remuneration and Nomination Committee), provided that if the Director so appointed is an INED, he/she shall hold office only until the next general meeting of the Yuexiu REIT and shall then be eligible for re-election at that meeting. Such re-election of INED shall be approved by Unitholders by way of an Ordinary Resolution.

Pursuant to the Articles of Association, a Director will need to vacate his office in certain circumstances, such as in the event that he becomes bankrupt, is convicted of an indictable offence, has been absent from Directors' meetings for six months or more without special leave of absence from the Board or fails to comply with the required standard set out in any code of conduct adopted by the Board and the Board resolves that he is thereby disqualified to continue as a Director.

RISK MANAGEMENT AND INTERNAL CONTROL

To maintain a more effective and efficient business operation and sustainable business growth, Yuexiu REIT systematically determining business risk and setting up risk management structure, procedures and related contents.

Our risk management framework is guided by three defensive lines of risk management and control. First line of defense are the front line operation departments and different functional departments. They are responsible for monitoring performance against the operational and management indicators and will submit the control report regularly to the risk management team for review. The second line of defense is the risk management team. They are responsible for developing pertinent operational and management indicators, collecting, summarizing and analyzing the result from the control report. The third line of defense is the internal audit team responsible for carrying out independent objective assurance, evaluating the reasonableness of all risk indicators and operational procedures. Moreover, they need to report to the Board regularly.

The Board meets quarterly or more frequently, if necessary, to review the risk report submitted by the internal audit team and the effectiveness and adequacy of internal control of the major operation procedures of Yuexiu REIT.

Moreover, the Board has reviewed the financial performance of Yuexiu REIT, any risks relating to the assets of Yuexiu REIT, examined liability management and will act upon any comments from the auditors of Yuexiu REIT (where appropriate).

The Manager has appointed experienced and well-qualified management team to handle the day-to-day operations of the Manager and Yuexiu REIT. In assessing business risk, the Board has considered the economic environment and the property industry risk. It reviews management reports and feasibility studies on individual development projects prior to approving any major transactions.

CONFLICT OF INTEREST

The Manager has established the following procedures to deal with conflict of interest:

- 1) The Manager does not manage any other real estate investment trust or involve in any other real estate business;
- 2) All connected party transactions are monitored and undertaken according to the procedures and/or on terms in compliance with the REIT Code.
- 3) At least half of the Board comprise INEDs.
- 4) INED appointment should be approved by Unitholders by way of an Ordinary Resolution.

GENERAL MEETINGS

Yuexiu REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The Trustee or the Manager may at any time convene a meeting of Unitholders. The Manager will also convene a meeting if requested in writing by not less than two Unitholders registered as together holding not less than 10.0% of the issued and outstanding Units. Except for annual general meeting where at least 21 days' notice of the meeting will be given, at least 14 days' notice of other meetings will be given to the Unitholders and the notice will specify the time and venue of the meeting and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding not less than 10.0% of the Units for the time being in issue will form a quorum for the transaction of all businesses, except for the purpose of passing a special resolution. The quorum for passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding not less than 25.0% of the Units in issue. The quorum for an adjourned meeting shall be such number of Unitholders who are present in person or by proxy regardless of the number of Units held by them.

REPORTING AND TRANSPARENCY

Yuexiu REIT will prepare its financial statements in accordance with Hong Kong Financial Reporting Standards with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual results for Yuexiu REIT will be announced no later than three months following each financial year end and the annual report and financial statements for Yuexiu REIT will be published and sent to Unitholders no later than four months following each financial year-end and the interim results no later than two months following each financial half-year. In addition, Yuexiu REIT aims to provide Unitholders with relevant operational information, such as occupancy levels and utilisation rates of the properties that it holds, along with the publication of such financial results following each financial year-end and financial half-year.

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to Yuexiu REIT will be made on a timely basis in order to keep Unitholders apprised of the position of Yuexiu REIT.

DISTRIBUTION PAYMENTS

In accordance with the Trust Deed, Yuexiu REIT is required to distribute not less than 90% of Total Distributable Income to Unitholders. The Manager's policy is to distribute to Unitholders 100% of Yuexiu REIT's Total Distributable Income for each of the 2006, 2007 and 2008 financial years and thereafter at least 90% of Yuexiu REIT's annual Total Distributable Income in each subsequent financial year. According to the Offering Circular issued to Unitholders dated 30 June 2012, the Manager has intended to distribute to the Unitholders an amount equal to 100% of Yuexiu REIT's Total Distributable Income and Additional Item for the financial years ended from 31 December 2012 to 31 December 2016.

The Manager also has the discretion under Yuexiu REIT's trust deed, where there are surplus funds, to distribute amounts in addition to that set out in the OC. At the time of announcing the distribution for any particular year, the Manager shall consider whether to exercise such discretion having regard to factors including but not limited to Yuexiu REIT's funding requirements, its earnings and financial position, its growth strategy, operating and capital requirements, compliance with relevant laws, regulations and covenants (including existing limitations on borrowings as prescribed in the REIT Code), other capital management considerations, the overall stability of distributions and prevailing industry practice.



CORPORATE GOVERNANCE

ISSUES OF NEW UNITS POST-LISTING

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights; (ii) as consideration for the acquisition of additional real estate; and (iii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained, provided that the number of Units issued under (i) and (ii) shall not exceed an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year.

The Manager and Yuexiu REIT may issue Units or convertible instruments to a connected person, without the requirement of obtaining Unitholders approval where (i) the connected person receives a pro rata entitlement in its capacity as a Unitholder; (ii) Units are issued to the Manager to satisfy part or all of the Manager's remuneration or (iii) when Units or convertible instruments are issued to a connected person within 14 days in a place and top up exercise, subject to certain conditions.

INTERESTS OF, AND DEALINGS IN UNITS BY, THE MANAGER AS WELL AS DIRECTORS AND SENIOR MANAGEMENT OF THE MANAGER

To monitor and supervise any dealings of Units by the Directors and their associates, the Manager has adopted a code containing rules on dealings by the Directors and associated parties ("Code Governing Dealings in Units by Directors") equivalent to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules. Pursuant to this code, Directors wishing to deal in the Units must first have regard to Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct as if these provisions of the SFO applied to the securities of Yuexiu REIT. In addition, there are occasions where Directors cannot deal in the Units even though the requirements of the SFO, if it applied, would not be contravened. A Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself or others. The Manager shall be subject to the same disclosure requirements as the Directors, mutatis mutandis.

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or connected party transactions under the REIT Code or any price-sensitive information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in Yuexiu REIT's securities for a similar period.

Interests held by Directors and their associates will be published in the annual and interim reports of Yuexiu REIT. To facilitate this, the Manager has adopted a code containing rules on disclosure of interests by Directors. The Manager shall be subject to the same dealing requirements as the Directors, mutatis mutandis.

The above codes may also be extended to senior executives, officers and other employees of the Manager or Yuexiu REIT as the Board may determine.

The Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executive of the Manager, and the Manager. The provisions of Part XV of the SFO are deemed by the Trust Deed to apply to, among other things, the Manager, the Directors and chief executive of the Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5.0% or more of the Units in issue will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange, the Trustee and the Manager of their holdings in Yuexiu REIT. The Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by the public without charge during such hours as the register of Unitholders is available for inspection. In addition, the Manager maintains a website containing all important information concerning Yuexiu REIT. The Manager shall cause copies of all disclosure notices received to be promptly posted to its website.

MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, among other things, removing the Trustee and approving the termination of Yuexiu REIT.

CONFIRMATION OF COMPLIANCE WITH CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS

Specific enquiry has been made of all Directors and Manager and all of them confirmed they had complied with the required standard set out in the Code Governing Deals in Units by Directors.

PUBLIC FLOAT

Based on the information that is publicly available as at the date of this report, the Manager reports there was more than 25% of the Units held in public hands as required under the Listing Rules and the REIT Code.

COMPLIANCE WITH COMPLIANCE MANUAL

Except from Article A.2.1 of the Corporate Governance Code, it is required that the roles of the Chairman and the Chief Executive Officer should be segregated and should not be performed by the same individual. At present, Mr. Lin Deliang is also the Chairman and Chief Executive Officer of the Manager. This structure was considered of more efficiency in business planning and decision-making for Yuexiu REIT. The Board also did not believe that the current structure of a single Chairman and Chief Executive Officer will compromise the balance of power and authority between the board and the company's management.

The Manager has complied with the provisions of its Compliance Manual.

AUDITORS

The financial statements of Yuexiu REIT have been audited by PricewaterhouseCoopers. They have been re-appointed for performing the audit for the financial year ending 31 December 2019.



CONNECTED PARTY TRANSACTIONS

The connected party transaction rules of the REIT Code govern transactions between the Yuexiu REIT Group and its connected persons (as defined in Rule 8.1 of the REIT Code). Such transactions will constitute connected party transactions for the purposes of the REIT Code.

THE MANAGER AND SIGNIFICANT HOLDER GROUP

Set out below is the information in respect of the connected party transactions involving Yuexiu REIT and its connected persons:

LEASING TRANSACTIONS

Certain portions of City Development Plaza, Neo Metropolis, GZIFC, Yue Xiu Tower, Wuhan Properties and Hangzhou Victory have been leased to connected parties (as defined in the REIT Code) of Yuexiu REIT in relation to the Manager ("Manager Group"). Details are as follows:

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly	Monthly	Monthly	Rental income	
					rent (RMB)	rent per sq.m. (RMB)	rent free period (days)	Term (years)	Reporting Year
City Development Plaza									
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd ("Yicheng") ⁽¹⁾	1/F	an associate of the Manager	97.00	1 May 2016	1,309	13.5	0	3	14,939
Guangzhou City Construction & Development Xingye Property Agent Ltd ("Xingye")	27, 28/F	an associate of the Manager	3,688.68	1 Jan 2018	493,582	134	0	4	6,096,529
廣州悅停網絡科技有限公司	16F	an associate of the Manager	126.45	30 Mar 2017	16,258	129	0	2	190,512
廣州鵬輝貿易有限公司	21FGHI	an associate of the Manager	691.63	20 May 2017	92,215	133	0	3.03	1,103,530
Guangzhou City Construction and Development Co. Ltd. ("GCCD")	18ABJ	an associate of the Manager	691.62	1 Sep 2017	92,214	133	0	3	1,104,337
廣州東耀房地產開發有限公司	17CD	an associate of the Manager	334.64	29 Oct 2017	44,618	133	0	3	532,878
Guangzhou Yuexiu Asset Management Company Limited ("GZAM")	18CDE	an associate of the Manager	461.09	25 May 2018	61,478	133	0	3.02	442,953
Sub-total:									9,485,678

(1) Guangzhou Yicheng Property Management Limited renamed as Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd since 15 Oct 2018.

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly	Monthly	Rent free	Rental income	
					rent (RMB)	rent per sq.m. (RMB)	period (days)	Term (years)	Reporting Year (RMB)
Neo Metropolis									
Guangzhou White Horse Clothings Market Ltd ⁽¹⁾	Basement 2, 3/F	an associate of the Manager	7,544.77	1 Jan 2016	108,334	14	0	3	1,202,707
Sub-total:									1,202,707

(1) On 21 Dec 2018, due to the disposal of Neo Metropolis, Guangzhou White Horse Clothings Market Ltd. and Guangzhou Jieyacheng Properties Co., Ltd. agreed to early terminate the lease in respect of the second and the third floor basements.

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly	Monthly	Rent free	Rental income	
					rent (RMB)	rent per sq.m. (RMB)	period (days)	Term (years)	Reporting Year (RMB)
GZIFC									
Guangzhou Yue Xiu Enterprises (Holdings) Ltd	0601-A	an associate of the Manager	1,224.74	1 Jan 2016	264,544	216	0	3	2,951,153
Guangzhou Grandcity Development Ltd.	0601-G, H	an associate of the Manager	877.03	1 Jan 2016	189,438	216	0	3	2,113,303
廣州市宏錦房地產開發有限公司	1501, 1601	an associate of the Manager	6,297.82	1 Jan 2016	1,580,753	251	0	3	17,618,831
廣州東耀房地產開發有限公司	5801-B, 02, 03, 04A	an associate of the Manager	1,196.58	1 Jun 2016	324,148	271	0	3	3,797,956
Guangzhou Yue Xiu Enterprises (Holdings) Ltd	5801-A	an associate of the Manager	512.64	1 Jun 2016	138,868	271	0	3	1,627,126
Guangzhou Yue Xiu Enterprises (Holdings) Ltd	6401, 6501	an associate of the Manager	6,509.02	1 Jan 2016	2,375,792	365	0	3	26,386,248
GCCD	0440-E	an associate of the Manager	611.48	1 Jan 2018	110,066	180	0	1	1,320,793
廣州市城建開發集團名特網絡發展有限公司	0440-F	an associate of the Manager	46.08	1 Jan 2018	8,294	180	0	1	99,528
Guangzhou Yue Xiu Enterprises (Holdings) Ltd	0440-H	an associate of the Manager	401.71	1 Jan 2018	72,308	180	0	1	867,696
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("YXFH") ⁽¹⁾	6301-C	an associate of the Manager	811.63	1 Sep 2016	268,997	331	0	2.33	3,142,263
GCCD	1401	an associate of the Manager	3,071.42	1 Jan 2016	770,926	251	0	3	8,592,626
廣州穗橋發展有限公司	1701-D	an associate of the Manager	200.99	1 Jan 2018	50,152	250	0	3	594,596
GZAM	0601-E	an associate of the Manager	46.82	1 Jan 2018	10,077	215	0	3	122,826
Yuexiu (China) Transport Infrastructure Investment Company Limited	0601-F	an associate of the Manager	126.99	1 Jan 2018	27,333	215	0	3	333,161



CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly			Rental income during 2018	
					Monthly rent (RMB)	rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Reporting Year (RMB)
Yuexiu (China) Transport Infrastructure Investment Company Limited	1701-A	an associate of the Manager	1,585.09	1 Jan 2018	395,518	250	0	3	4,689,199
Chong Hing Bank Guangzhou Sub-Branch	0440-K	an associate of the Manager	193.26	1 Jan 2018	34,787	180	0	1	417,443
Chong Hing Bank Guangzhou Tianhe Branch	0440-N	an associate of the Manager	25.64	1 Jan 2018	4,615	180	0	1	55,381
GZAM	0601-D	an associate of the Manager	138.72	1 Sep 2016	28,576	206	0	3	335,607
廣州越秀商業地產投資管理有限公司	0440-D	an associate of the Manager	243.89	1 Jan 2018	43,900	180	0	1	526,801
Guangzhou Yue Peng Information Ltd.	1701-C	an associate of the Manager	266.86	1 Jan 2018	66,588	250	0	3	789,455
Guangzhou Yue Tong Expressway Operations and Management Company Limited	1701-B	an associate of the Manager	261.29	1 Jan 2018	65,198	250	0	3	772,979
Yuexiu (China) Transport Infrastructure Investment Company Limited	0440-A	an associate of the Manager	142.81	1 Jan 2018	25,706	180	0	1	308,472
GZAM	5804-B	an associate of the Manager	242.29	1 Jun 2016	65,635	271	0	3	769,029
Yuexiu (China) Transport Infrastructure Investment Company Limited ⁽²⁾	5804-C, 05-A	an associate of the Manager	398.75	1 Jun 2016	108,019	271	0	3	627,614
Guangzhou Yue Xiu Enterprises (Holding) Ltd	5805A	an associate of the Manager	136.02	1 Jul 2018	37,308	274	0	0.92	225,407
Yuexiu (China) Transport Infrastructure Investment Company Limited	5804C	an associate of the Manager	262.73	1 Jul 2018	72,063	274	0	0.92	420,380
Guangzhou Paper Group Ltd.	5806-D	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	271,348
Guangzhou Yue Xiu Enterprises (Holdings) Ltd	5806-E, 07-A	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	271,348
廣州鈦白粉廠	5807-B	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	271,348
GZAM ⁽³⁾	4001, 02, 03, 05, 06	an associate of the Manager	2,882.42	1 May 2015	706,193	245	0	3	8,141,953
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZYXJLL")	Carpark	an associate of the Manager	71,082.79	1 Jan 2018	1,271,429	18	0	1	15,257,148
Chong Hing Bank Guangzhou Tianhe Branch ⁽⁴⁾	Podium 103, 203	an associate of the Manager	631.28	1 Jan 2015	233,068	369	0	5.5	2,014,194
Yuexiu (China) Transport Infrastructure Investment Company Limited	1701-E	an associate of the Manager	855.96	1 Jan 2018	197,278	230	0	3	2,338,898
Guangzhou Guang Zeng Hang Seng Research Co., Ltd	401-B	an associate of the Manager	948.00	31 May 2016	192,309	203	0	3	2,207,414
Guangzhou Yuexiu Financial Technology Co., Ltd ⁽⁵⁾	401-C	an associate of the Manager	474.14	1 May 2017	72,250	152	0	1	921,556
Guangzhou Securities Co., Ltd ⁽⁶⁾	501	an associate of the Manager	2,868.01	20 Jun 2015	458,882	160	0	3	5,384,067

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly	Monthly	Rent free	Rental income	
					rent (RMB)	rent per sq.m. (RMB)	period (days)	Term (years)	Reporting Year
YXFH(7)	0601-B	an associate of the Manager	227.87	1 Jan 2016	49,220	216	0	3	549,077
Guangzhou Securities Co., Ltd.	0601-C	an associate of the Manager	248.05	1 Jan 2016	53,579	216	0	3	597,706
Guangzhou Securities Co., Ltd. ⁽⁸⁾	706-707	an associate of the Manager	474.16	15 Apr 2015	76,814	162	0	3	928,149
Guangzhou Securities Co., Ltd.	1001-1006	an associate of the Manager	1,486.34	1 Jan 2016	267,541	180	0	3	2,843,014
Guangzhou Securities Co., Ltd.	1007-1012	an associate of the Manager	1,486.52	1 Jan 2016	267,574	180	0	3	2,843,365
Guangzhou Securities Co., Ltd.	1901, 2001	an associate of the Manager	6,399.43	1 Jan 2016	1,715,047	268	0	3	19,060,687
YXFH	3406	an associate of the Manager	273.00	1 Apr 2017	65,000	238	0	1	192,329
YXFH ⁽⁹⁾	5805-B, 06-A	an associate of the Manager	507.40	1 Jun 2016	137,464	271	0	3	1,610,490
Guangzhou Securities Co., Ltd.	5806-B	an associate of the Manager	213.70	1 Jun 2016	57,890	271	0	3	678,283
Guangzhou Yuexiu Financial Leasing Co., Ltd.	5806-C	an associate of the Manager	133.50	1 Jun 2016	36,165	271	0	3	423,732
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. ("GZYXIFM")	6301-A, E	an associate of the Manager	696.58	1 Jan 2016	242,410	348	0	3	2,692,521
YXFH ⁽¹⁰⁾	6301-B	an associate of the Manager	930.54	1 Jan 2016	323,828	348	0	3	3,596,856
YXFH ⁽¹¹⁾	6301-D	an associate of the Manager	560.73	1 Sep 2016	185,842	331	0	3	2,172,429
GZYXIFM	0440-C	an associate of the Manager	101.08	1 Jan 2018	18,194	180	0	1	218,328
Guangzhou Securities Co., Ltd.	0440-G	an associate of the Manager	617.13	1 Jan 2018	111,083	180	0	1	1,332,995
YXFH ⁽¹²⁾	0440-B	an associate of the Manager	172.38	1 Jan 2018	31,028	180	0	1	372,337
GZYXIFM	6301-F	an associate of the Manager	300.00	1 Sep 2016	99,429	331	0	3	1,162,288
Guangzhou Yuexiu Financial Technology Co., Ltd.	0440-I	an associate of the Manager	104.34	1 Jan 2018	18,781	180	0	1	225,373
Guangzhou Guang Zeng Hang Seng Research Co., Ltd.	0440-J	an associate of the Manager	8.70	1 Jan 2018	1,566	180	0	1	18,790
GZYXJLL	0440-L	an associate of the Manager	30.43	1 Jan 2018	5,477	180	0	1	65,726
廣州友誼集團有限公司	IFC podium, lower level one, lower refugee floor level one, first floor, second floor, third floor	an associate of the Manager	26,521.37	1 Jul 2017	1,979,989	75	0	8.5	32,105,641
廣州友誼集團有限公司	Back of house in lower level three	an associate of the Manager	743.00	1 Aug 2014	17,690	24	0	11.67	212,286



CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly			Rental income	
					Monthly rent (RMB)	rent per sq.m. (RMB)	Rent free period (days)	Term (years)	during 2018 Reporting Year (RMB)
廣州友誼集團有限公司	IFC podium B127a, B127b	an associate of the Manager	66.00	14 Dec 2018	16,342	248	0	3	9,998
YXFH ⁽¹³⁾	3406A	an associate of the Manager	207.00	1 Apr 2018	51,257	248	0	1	463,419
越秀諮詢(深圳)有限公司	3901	an associate of the Manager	281.92	1 Jun 2018	75,179	267	0	3	522,577
Guangzhou Yue Xiu Enterprises (Holdings) Ltd	4606	an associate of the Manager	558.37	1 Jan 2018	138,263	248	0	4.83	1,698,582
GZYXIFM	3309, 3310, 3311, 3312	an associate of the Manager	1,095.81	30 Aug 2018	97,405	89	0	3	1,110,953
Sub-total:									194,293,078

- (1) On 1 October 2018, Guangzhou Yuexiu Financial Holdings Group Co.,Ltd. entered into a lease with GZIFC,to renew the lease of Unit 6301-C of GZIFC,the tenant of which has been changed into Guangzhou Yuexiu Financial Holdings Group Co.,Ltd. since 1 October 2018,rentals remains unchanged.
- (2) On 1 July 2018, Yuexiu (China) Transport Infrastructure Investment Co., Ltd. entered into a lease with GZIFC,to renew the leases of Unit 5804C and 05A of GZIFC, the tenant of Unit 5804C has been changed into Yuexiu (China) Transport Infrastructure Investment Co., Ltd. Since 1 July 2018, and the tenant of Unit 5805A has been changed into Guangzhou Yue Xiu Enterprises (Holdings) Ltd.
- (3) On 1 May 2018,GZAM entered into a lease with GZIFC,to renew the lease of Units 4001-4003 and 4005-4006 of GZIFC for a term three years commencing from 1 May 2018, and the unit price of rent adjusted to RMB 248/ m² /month.
- (4) On 18 Sep 2018, Chong Hing Bank Limited Guangzhou Tianhe Branc early terminated the lease with GZIFC.
- (5) On 1 May 2018,,Guangzhou Yuexiu Financial Technology Co., Ltd. entered into a lease with GZIFC,to renew the lease of Unit 401C of GZIFC for a term one year commencing from 1 May 2018,and the unit price of rent adjusted to RMB 167/ m² /month.
- (6) On 20 June 2018,Guangzhou Securities Co., Ltd.entered into a lease with GZIFC,to renew the lease of Unit 501 of GZIFC,for a term 3.83 years commencing from 20 June 2018, and the unit price of rent adjusted to RMB 176/ m² /month.
- (7) On 1 October 2018, Guangzhou Yuexiu Financial Holdings Group Co.,Ltd. entered into a lease with GZIFC,to renew the lease of Unit 0601-B of GZIFC, the tenant of which has been changed into Guangzhou Yuexiu Financial Holdings Group Co.,Ltd. since 1 October 2018,rentals remains unchanged.
- (8) On 15 April 2018,Guangzhou Securities Co., Ltd.entered into a lease with GZIFC,to renew the lease of Units 706-707 of GZIFC for a term 3.04 years commencing from 15 April 2018,and the unit price of rent adjusted to RMB 167/ m² /month.
- (9) On 1 October 2018, Guangzhou Yuexiu Financial Holdings Group Co.,Ltd. entered into a lease with GZIFC,to renew the lease of Units 5805B and 06A of GZIFC,the tenant of which has been changed into Guangzhou Yuexiu Financial Holdings Group Co.,Ltd.since 1 October 201,rentals remains unchanged.
- (10) On 1 October 2018, Guangzhou Yuexiu Financial Holdings Group Co.,Ltd. entered into a lease with GZIFC,to renew the lease of Unit 6301-B of GZIFC,the tenant of which has been changed into Guangzhou Yuexiu Financial Holdings Group Co.,Ltd.since 1 October 2018,rentals remains unchanged.
- (11) On 1 October 2018, Guangzhou Yuexiu Financial Holdings Group Co.,Ltd. entered into a lease with GZIFC,to renew the lease of Unit 6301-D of GZIFC,the tenant of which has been changed into Guangzhou Yuexiu Financial Holdings Group Co.,Ltd.since 1 October 2018,rentals remains unchanged.
- (12) On 1 October 2018, Guangzhou Yuexiu Financial Holdings Group Co.,Ltd. entered into a lease with GZIFC,to renew the lease of Unit 0440-B of GZIFC, the tenant of which has been changed into Guangzhou Yuexiu Financial Holdings Group Co.,Ltd.since 1 October 2018,rentals remains unchanged.
- (13) On 1 October 2018, Guangzhou Yuexiu Financial Holdings Group Co.,Ltd. entered into a lease with GZIFC,to renew the lease of Unit 3406A of GZIFC, the tenant of which has been changed into Guangzhou Yuexiu Financial Holdings Group Co.,Ltd.since 1 October 2018,rentals remains unchanged.

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly	Monthly	Rental income		
					rent (RMB)	rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Reporting Year
Yue Xiu Tower									
Chong Hing Bank Limited Shanghai Branch ⁽¹⁾	1807	an associate of the Manager	142.05	1 Jun 2016	43,207	304	0	1.92	518,148
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd Shanghai Branch ("Yicheng Shanghai") ⁽²⁾	Carpark	an associate of the Manager	13,502.58	1 Jan 2018	142,857	11	0	3	1,712,722
Shanghai Yuexiu Finance Leasing Co., Ltd.	2101, 05-07	an associate of the Manager	1,006.41	1 May 2017	306,116	304	0	5	3,767,541
Guangzhou Securities Co., Ltd.	2702A, 03B	an associate of the Manager	250.12	1 Dec 2016	76,078	304	0	2.33	881,023
Yicheng Shanghai	310B, 301A, 301B	an associate of the Manager	495.17	15 Dec 2018	136,307	289	0	5.05	76,086
Sub-total:									6,955,520

(1) On 1 May 2018, Chong Hing Bank Limited Shanghai Branch entered into a lease with Shanghai Hong Jia Real Estate Development Co., Ltd. in respect of unit 1807 of Yuexiu Tower, renewing the existing term for 2 years commencing from 1 May 2018, and the unit price of rent remains unchanged.

(2) Guangzhou Yicheng Property Management Limited Shanghai Branch renamed as Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd Shanghai Branch since 28 Nov 2018.



CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly			Rental income	
					Monthly rent (RMB)	rent per sq.m. (RMB)	Rent free period (days)	Term (years)	during 2018 Reporting Year (RMB)
Wuhan Properties									
Guangzhou Yicheng Business Operation Management Co., Limited Wuhan Branch ("Yicheng Wuhan")	6201A	an associate of the Manager	875.91	1 Jan 2018	120,959	138	0	5	1,598,899
武漢康景實業投資有限公司	6201B、6301	an associate of the Manager	2,707.10	1 Sep 2017	373,838	138	0	5	1,902,029
武漢康景實業投資有限公司	505、06 ⁽¹⁾	an associate of the Manager	401.08	1 Sep 2017	33,232	83	0	5	29,052
Yicheng Wuhan	Carpark	an associate of the Manager	47,182.94	21 Dec 2017	625,000	13	0	3.03	7,490,813
Yicheng Wuhan	Carpark	an associate of the Manager	15,602.82	21 Dec 2017	290,000	19	0	3.03	3,475,737
廣州城建開發設計院有限公司	6101C	an associate of the Manager	250	27 Dec 2017	33,333	133	0	3	390,240
Xingye	6101A	an associate of the Manager	300	27 Dec 2017	40,000	133	0	3	468,288
廣州越秀地產工程管理有限公司	6101B	an associate of the Manager	350	27 Dec 2017	46,667	133	0	3	546,336
武漢康景實業投資有限公司	6101D	an associate of the Manager	851.82	1 Jan 2018	113,576	133	0	3	1,308,718
武漢康景實業投資有限公司	6001A	an associate of the Manager	485.7	1 Jan 2018	67,998	133	0	3	746,218
武漢康景實業投資有限公司	6001B ⁽¹⁾	an associate of the Manager	401.08	1 Mar 2018	53,477	133	0	2.83	552,465
武漢康景實業投資有限公司	3701	an associate of the Manager	700	1 Jan 2018	78,616	112	0	3	938,904
武漢康景實業投資有限公司 ⁽²⁾	Site	an associate of the Manager	280	1 Jan 2018	636,415	2,273	0	0.5	5,902,124
武漢康景實業投資有限公司 ⁽³⁾	Advertising Space	an associate of the Manager	—	1 Jan 2018	921,761	—	0	0.5	8,716,675
武漢越秀商業管理有限公司	6701	an associate of the Manager	917.55	1 Oct 2018	129,375	141	0	1.25	390,672
武漢越秀商業管理有限公司	Advertising Space of Carpark	an associate of the Manager	200	1 Oct 2018	142,860	714	0	3	431,708
廣州越秀地產工程管理有限公司	5801、5802	an associate of the Manager	2,638.6	1 Aug 2018	351,804	133	0	0.92	1,772,713
武漢越秀商業管理有限公司	3401-3408	an associate of the Manager	2,434.81	16 Jul 2018	231,890	95	0	5.04	1,117,393
武漢越秀商業管理有限公司	3409	an associate of the Manager	80.46	16 Jul 2018	3,066	38	0	5.04	13,901
Sub-total:									37,792,885

- (1) On 1 Mar 2018, 武漢康景實業投資有限公司 entered into a lease with Wuhan Yuexiu Property Development Limited to renew the lease of units 505-06 of Wuhan Properties. The lease scope has been changed to unit 6001B since 1 March 2018, the lease area unchanged, and the rental unit price was adjusted to RMB133/sq.m.
- (2) On 1 July 2018, 武漢康景實業投資有限公司 entered into a lease with Wuhan Yuexiu Property Development Limited to renew the lease in respect of the eastern plaza of Wuhan Properties, the southeast corner of the lobby on the first floor of the office building, the south atrium of A hall of the mall, north atrium of B hall, for a term of 1 year and six months commencing from 1 July 2018. The site use fee shall be calculated by days and sessions.
- (3) On 1 July 2018, 武漢康景實業投資有限公司 entered into a lease with Wuhan Yuexiu Property Development Limited to renew the lease in respect of 9 columns of the office square, the corridor between A hall and B hall of the shopping mall, large screens at A hall and B hall facade, the large advertisement screen in A hall atrium, the displays in office building elevators, for a term of 1 year and six months commencing from 1 July 2018. The rental price on advertising space shall be calculated by time and quantities.

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly	Monthly	Rent free	Rental income	
					rent (RMB)	rent per sq.m. (RMB)	period (days)	Term (years)	Reporting Year
Hangzhou Victory									
Hangzhou Yuexiu Real Estate Development Co., Ltd.	202-2、301-1、302-2、1703、1801、1802、1803	an associate of the Manager	2,311.55	20 Sep 2018	310,230.74	134.21	0	3.03	31,208
Guangzhou City Construction & Development Xingye Property Agent Ltd Hangzhou Branch ("Xingye Hangzhou")	601-1	an associate of the Manager	188.25	20 Dec 2018	22,590.00	120.00	0	2.00	2,043
杭州盛寓房地產開發有限公司	801	an associate of the Manager	336.65	1 Sep 2018	40,398.00	120.00	0	3.08	4,063
杭州越榮房地產開發有限公司	1701	an associate of the Manager	336.65	20 Sep 2018	51,170.80	152.00	0	3.03	5,148
杭州豐勝房地產開發有限公司	1702	an associate of the Manager	579.93	20 Sep 2018	88,149.36	152.00	0	3.03	8,868
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd Hangzhou Branch ("Yicheng Hangzhou")	Carpark	an associate of the Manager	17,663.58	28 Sep 2018	37,308.00	274.28	0	0.83	18,145
								Sub-total:	69,475
								Total:	249,799,343



CONNECTED PARTY TRANSACTIONS

PROPERTY MANAGEMENT AGREEMENTS

The following table sets forth information for the year in relation to the property management services provided by the connected parties to the properties of Yuexiu REIT:

Property Manager	Relationship with Yuexiu REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2018 Reporting Year (RMB)
Guangzhou Baima Business Operation Management Co. Ltd ("Baima BM")	an associate of the Manager	White Horse Building	1 Jan 2017	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Fortune Plaza	1 Jan 2017	Property Management Agreement	N/A
Yicheng	an associate of the Manager	City Development Plaza	19 Jul 2016	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Victory Plaza	7 Dec 2005	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Neo Metropolis ⁽¹⁾	1 Jan 2017	Property Management Agreement	N/A
GZYXJLL	an associate of the Manager	GZIFC	1 Sep 2009	Property Management Agreement	N/A
Yicheng Shanghai	an associate of the Manager	Yue Xiu Tower	29 Dec 2017	Property Management Agreement	N/A
Yicheng Wuhan	an associate of the Manager	Wuhan Properties	21 Dec 2017	Property Management Agreement	N/A
Yicheng Hangzhou	an associate of the Manager	Hangzhou Victory	31 Aug 2017	Property Management Agreement	N/A

(1) Due to the disposal of Neo Metropolis, Yuexiu REIT shall disengage from the rights and obligations of the property management agreement since 21 Dec 2018.

TENANCY SERVICES AGREEMENTS

The following table sets forth information for the year in relation to the tenancy services provided by the connected parties to the properties of Yuexiu REIT:

Service provider	Relationship with Yuexiu REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2018 Reporting Year (RMB)
Baima BM	an associate of the Manager	White Horse Building	31 Dec 2017	Tenancy Services Agreement	11,022,000
Yicheng	an associate of the Manager	Fortune Plaza	31 Dec 2017	Tenancy Services Agreement	2,955,000
Yicheng	an associate of the Manager	City Development Plaza	31 Dec 2017	Tenancy Services Agreement	2,686,000
Yicheng	an associate of the Manager	Victory Plaza	31 Dec 2017	Tenancy Services Agreement	2,829,000
Yicheng	an associate of the Manager	Neo Metropolis ⁽¹⁾	31 Dec 2017	Tenancy Services Agreement	2,763,000
Yicheng	an associate of the Manager	Fortune Plaza 1701	31 Dec 2017	Tenancy Services Agreement	62,000
GZAM	an associate of the Manager	GZIFC	31 Dec 2017	Tenancy Services Agreement	15,338,000
Guangzhou Yuexiu Asset Management Co., Ltd. Shanghai Branch	an associate of the Manager	Yue Xiu Tower	31 Dec 2017	Tenancy Services Agreement	4,283,000
Yicheng Wuhan	an associate of the Manager	Wuhan Properties	21 Dec 2017	Tenancy Services Agreement	5,055,000
Yicheng Hangzhou	an associate of the Manager	Hangzhou Victory	28 Dec 2018	Tenancy Services Agreement	9,000

- (1) Due to the disposal of Neo Metropolis, the third parties among GZAM, Guangzhou Jieyacheng Properties Co., Ltd. and Yicheng agreed to early terminate the tenancy service agreement on 21 December 2018.



CONNECTED PARTY TRANSACTIONS

TRADE MARK LICENCE AGREEMENTS

The following table sets forth information for the period in relation to the trade mark licences granted by the connected parties to Yuexiu REIT:

Grantor	Relationship with Yuexiu REIT	Property	Nature of Transaction	Amount paid/ payable for 2018 Reporting Year	Licence maturity date
Baima BM	an associate of the Manager	White Horse Building	Trade Mark Licence Agreement (6)	—	27 November 2026, 6 December 2026, 13 January 2027, 13 December 2026, 20 January 2027
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ⁽¹⁾	an associate of the Manager	Fortune Plaza	Trade Mark Licence Agreement	—	Perpetuity (subject to early termination terms)

(1) The Trademarks were assigned from Yue Xiu Enterprise (Holdings) Limited to Guangzhou Yuexiu Holdings Limited.

CONSTRUCTION SETTLEMENT AGENCY AGREEMENT

The following table sets forth information for the period in relation to the prepaid construction payable by Yuexiu REIT to the connected parties and the interest charged on the balance of prepaid construction payable:

Engineering Settlement Agent	Relationship with Yuexiu REIT	Date of the Agreement	Balance of Prepaid Construction Payable for 2018 Reporting Year (RMB)	Nature of Transaction	Amount received/ receivable for 2018 Reporting Year (RMB)
GCCD	an associate of the Manager	4 May 2012	227,290,000	Interest on the balance of construction payable	21,698,000

ORDINARY BANKING SERVICES

Name	Nature of transaction	Relationship with Yuexiu REIT	Date of agreement	Principal amount (RMB)	Amount of fees paid/payable within the 2018 Reporting Year	Amount of interest paid/payable within the 2018 Reporting Year
Chong Hing Bank	Loan ⁽¹⁾	An associate of the Manager	Nov 2016	290,400,000	—	14,662,000

(1) Chong Hing Bank Limited was one of the lending banks.

ORDINARY BANKING SERVICES

Name	Nature of transaction	Relationship with Yuexiu REIT	Amount of interest received/receivable within the 2018 Reporting Year (RMB)
Chong Hing Bank	Deposit	An associate of the Manager	399,000

FINANCING OF THE DEFERRED COMPLETION PAYMENT

Name	Nature of transaction	Relationship with Yuexiu REIT	Date of agreement	Principal amount (RMB)	Amount of fees paid/payable within the 2018 Reporting Year	Amount of interest paid/payable within the 2018 Reporting Year (RMB)
Guangzhou Construction & Development Holdings (China) Limited		An associate of the Manager	21 Dec 2017	20,000 ⁽¹⁾	—	18,306,000

- (1) On 21 December 2018, Yuexiu REIT repaid the deferred completion payment of approximately RMB 803,783,000 to Guangzhou Construction & Development Holdings (China) Limited, the balance of approximately RMB 20,000 will be settled upon payment of tax by the counterparty.

GUARANTEE FROM FOUNDING SHAREHOLDERS

Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. had a syndicated development loan of RMB4.5 billion guaranteed jointly and severally by Guangzhou City Construction and Development Co., Ltd. (廣州市城市建設開發有限公司), 廣州市祥港房地產開發有限公司 and Guangzhou City Construction and Development Group Co., Ltd. (廣州市城市建設開發集團有限公司) in the proportion of 75%, 24% and 1% respectively with an effective period expiring on the date two years after full repayment of the existing syndicated development loan.

In November 2016, that syndicated development loan had fully been repaid.

WAIVER FROM STRICT COMPLIANCE

A waiver from strict compliance with the disclosure and approval requirements under Chapter 8 of the REIT Code in respect of the existing leasing transactions of Yuexiu REIT, the existing property management arrangement and the tenancy services agreement of the existing properties, together with the new leasing transaction, the new property management arrangement and the new tenancy services agreement, as mentioned above, between the Group and persons which are connected with Yuexiu REIT as a result of their connection with the Manager has been granted by the SFC on 4 December 2017, subject to annual limitation as to the capped value of such transactions, review by the auditors for each relevant financial period, annual review by the Audit Committee and the independent non-executive directors ("INEDs") and other terms and conditions. For detailed terms and conditions of the waiver, please refer to the circular dispatched to Unitholders on 15 November 2017.



CONNECTED PARTY TRANSACTIONS

HSBC GROUP*

(*Note: "HSBC Group" means The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and its subsidiaries and, unless expressly stated, shall not include the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee except those subsidiaries formed in its capacity as the trustee of Yuexiu REIT)).

CORPORATE FINANCE TRANSACTIONS AND ORDINARY BANKING SERVICES

The following table sets forth information for the period in relation to the corporate finance transactions and ordinary banking services made between the HSBC Group and Yuexiu REIT within the period:

Name	Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/payable within the 2018 Reporting Year	Amount of interest paid/payable within the 2018 Reporting Year
HSBC Group	Loan ⁽¹⁾	Nov 2016, May 2017	HK\$1,005,000,000	—	RMB22,159,000

(1) HSBC Group was one of the lending banks.

GZI REIT (Holding) 2005 Company Limited, Partat, Keen Ocean, Full Estates, Moon King (On 21 Dec 2018, Yuexiu REIT completed the disposal of Metrogold Development Ltd), Ever Joint Investment International Limited ("Ever Joint"), Long Grace Holdings Limited ("Long Grace"), Profit Link Investment International Limited ("Profit Link"), San Bright Holdings Limited ("San Bright") and Yuexiu REIT MTN Company Limited have maintained interest bearing accounts with HSBC at arm's length and on commercial terms for deposits during the Reporting Year.

WAIVER FROM STRICT COMPLIANCE

A waiver from strict compliance with the disclosure requirement and Unitholders' approval under Chapter 8 of the REIT Code in respect of the transactions with connected persons of the Trustee has been granted by the SFC on 8 December 2005 subject to specific caps on fees payable by Yuexiu REIT for corporate finance services, review by the auditors for each relevant financial period, annual review by the Audit Committee and the INEDs and other terms and conditions. Details of the Waiver and its terms and conditions have been published in the Offering Circular.

CONFIRMATION BY THE AUDIT COMMITTEE AND THE INEDS

The INEDs and the Audit Committee of the Manager confirm that they have reviewed the terms of all relevant connected party transactions including those connected party transactions with the Manager Group and the HSBC Group and that they are satisfied that these transactions have been entered into:

- in the ordinary and usual course of business of Yuexiu REIT;
- on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to or from Yuexiu REIT than terms available from or to (as appropriate) independent third parties; and
- in accordance with the relevant agreement and the Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

CONFIRMATION BY THE MANAGER AND TRUSTEE ON CORPORATE FINANCE TRANSACTION WITH THE HSBC GROUP

Both the Manager and the Trustee have confirmed that there is no corporate finance transaction or other connected transaction (save for those disclosed above) with the HSBC Group during the 2018 reporting year.

MANAGER'S FEES

During the 2018 reporting year, the aggregate amount of fees payable by Yuexiu REIT to the Manager under the Trust Deed was approximately RMB147,263,000, 80% of which was settled by the issuance of new Units, and 20% was settled in cash.

TRUSTEE'S FEES

During the 2018 reporting year, the aggregate amount of fees paid/payable by Yuexiu REIT to the Trustee under the Trust Deed was approximately RMB10,710,000.

PRINCIPAL VALUER'S FEES

During the 2018 reporting year, the aggregate amount of fees paid/payable by Yuexiu REIT to the Principal Valuer was approximately RMB1,439,000.



CONNECTED PARTY TRANSACTIONS

INTERESTS HELD BY THE MANAGER AND ITS DIRECTORS AND CHIEF EXECUTIVE OFFICER

The REIT Code requires that connected persons of Yuexiu REIT shall disclose their interests in Units. In addition, under the provisions of Part XV of the SFO, the Trust Deed is also deemed to be applicable, among other things, to the Manager, the Directors and the Chief Executive Officer of the Manager.

The interests and short positions held by Directors and Chief Executive Officer of the Manager in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed are set out below:

Interests and short positions in the Units:

Name of Director	Nature of Interest	As at 1 January 2018		As at 31 December 2018		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr. Lin Deliang	—	Nil	—	Nil	—	—
Mr. Cheng Jiuzhou	Personal	480	0.000016%	480	0.000015%	(0.00001%)
Mr. Li Feng	Personal	1,825	0.000061%	1,825	0.000059%	(0.00002%)
Mr. Liang Danqing	—	Nil	—	Nil	—	—
Mr. Chan Chi On, Derek	—	Nil	—	Nil	—	—
Mr. Chan Chi Fai, Brian	—	Nil	—	Nil	—	—
Mr. Cheung Yuk Tong	—	Nil	—	Nil	—	—
Mr. Chen Xiaoou	—	Nil	—	Nil	—	—

HOLDINGS OF SIGNIFICANT HOLDERS

The following persons have interests or short position in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed:

Long position in the Units:

Name of Substantial Unitholder	Nature of Interest	As at 1 January 2018		As at 31 December 2018		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yuexiu Holding Limited ("GZYX") ⁽¹⁾	Deemed	1,718,491,569 ⁽³⁾	57.01%	1,666,656,100 ⁽³⁾	53.65% ⁽⁴⁾	(3.36%)
	Total	1,718,491,569 ⁽³⁾	57.01%	1,666,656,100 ⁽³⁾	53.65% ⁽⁴⁾	(3.36%)
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Beneficial	27,320	—	27,320	—	—
	Deemed	1,718,464,249 ⁽³⁾	57.01%	1,666,628,780 ⁽³⁾	53.65% ⁽⁴⁾	(3.36%)
	Total	1,718,491,569 ⁽³⁾	57.01%	1,666,656,100 ⁽³⁾	53.65% ⁽⁴⁾	(3.36%)
YXP ⁽²⁾	Beneficial	—	—	—	—	—
	Deemed	1,709,229,984 ⁽³⁾	56.7%	1,657,394,515 ⁽³⁾	53.35% ⁽⁴⁾	(3.35%)
	Total	1,709,229,984 ⁽³⁾	56.7%	1,657,394,515 ⁽³⁾	53.35% ⁽⁴⁾	(3.35%)
Dragon Yield Holding Limited ("Dragon Yield")	Beneficial	1,697,125,730 ⁽³⁾	56.3%	1,632,125,730 ⁽³⁾	52.54% ⁽⁴⁾	(3.76%)
	Deemed	—	—	—	—	—
	Total	1,697,125,730 ⁽³⁾	56.3%	1,632,125,730 ⁽³⁾	52.54% ⁽⁴⁾	(3.76%)

(1) Further information in relation to interests of corporations controlled by GZYX.



CONNECTED PARTY TRANSACTIONS

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yue Xiu	GZYX	100.00	Y	27,320	—
Yue Xiu	GZYX	100.00	N	1,666,628,780 ⁽³⁾	—
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	1,665,329,550 ⁽³⁾	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	N	1,657,394,515 ⁽³⁾	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—
YXP	Bosworth International Limited	33.89	N	1,657,394,515 ⁽³⁾	—
Dragon Yield	YXP	100.00	Y	1,632,125,730 ⁽³⁾	—
Sun Peak Enterprises Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	1,414,207	—
Novena Pacific Limited	Sun Peak Enterprises Ltd.	100.00	Y	1,414,207	—
Shine Wah Worldwide Limited	Excellence Enterprises Co., Ltd.	100.00	N	395,122	—
Morrison Pacific Limited	Shine Wah Worldwide Limited	100.00	Y	395,122	—
Perfect Goal Development Co., Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	339,342	—
Greenwood Pacific Limited	Perfect Goal Development Co., Ltd.	100.00	Y	339,342	—
Seaport Development Limited	Excellence Enterprises Co., Ltd.	100.00	N	88,082	—
Goldstock International Limited	Seaport Development Limited	100.00	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	1,299,230	—
Yue Xiu International Investment Limited ("YXII")	YXP	100.00	Y	25,268,785	—

(2) The deemed interest in 1,657,394,515 Units were held through Dragon Yield and YXII, both are wholly-owned subsidiaries of YXP.

(3) The number of units includes 535,401,494 deferred units. Yuexiu REIT will, on 31 December of each year, issue a number of deferred units to YXP (or YXP's nominee) at an issue price of HK\$4.00 per Unit. Further details are included in the circular dated 30 June 2012 and announcement dated 27 September 2012 of Yuexiu REIT.

(4) After deducting the unissued deferred units, the approximate interest held by GZYX and Yue Xiu will be approximately 36.42%, while the approximate interest in Yuexiu REIT held by YXP and Dragon Yield will be approximately 36.12% and 35.31% respectively.

HOLDINGS OF SENIOR EXECUTIVES OF THE MANAGER

Interests in the Units held by senior executives of the Manager, being connected persons of Yuexiu REIT, are set out below:

Name of Senior Executive	Nature of interest	As at 1 January 2018		As at 31 December 2018		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Mr. Liao Ningjun	Personal	1,250	0.000041%	1,250	0.000040%	(0.000001%)
Ms. Ou Haijing	Personal	1,000	0.000033%	1,000	0.000032%	(0.000001%)
Mr. Liu Bihong	Personal	225	0.000007%	225	0.000007%	—

HOLDINGS OF OTHER CONNECTED PERSON

Name	Nature of interest	As at 1 January 2018		As at 31 December 2018		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Trustee	Deemed ⁽¹⁾	950	0.00003%	950	0.00003%	—

(1) Associated company of the trustee (as defined in the REIT Code) were beneficially interested in such units as at 31 December 2018.

Save as disclosed above, the Manager is not aware of any connected persons of Yuexiu REIT, including Savills, holding any Units as at 31 December 2018.



INVESTOR RELATIONS

The Manager highly values investor relations management and strives to continuously enhance the quality and standard of smooth communication, in order to strengthen and maintain communication between the Yuexiu REIT and investors to elevate the investing public's in-depth understanding of the Yuexiu REIT, and establish the Yuexiu REIT's good market image.

COMMUNICATION ACTIVITIES WITH UNITHOLDERS AND INVESTORS

In 2018, as GZIFC stepped into the stable maturity stage and upon the successful acquisitions of Wuhan Yuexiu Fortune Centre and Starry Victoria Shopping Centre, attention of capital markets on the Yuexiu REIT was raised significantly. Meanwhile we also continuously strengthened our efforts in investor relations by fully utilizing various investor communication channels, such as investors' meetings and press conferences for interim and annual results, annual general meeting of unitholders, roadshows and promotional activities, investment seminars held by investment banks, conference calls, on-site visits to investment projects by investors and media and continuous update of website contents, to enhance the investing public's understanding of the Yuexiu REIT. During the year, the Manager and the investor relations team participated in a total of 31 meetings in the large-scale investment seminars held by investment banks, 20 roadshows for investors, 6 one-on-one meetings and 17 on-site visits to our projects.

MAJOR INVESTOR RELATIONS ACTIVITIES IN 2018

Month	Place	Activities
February	Hong Kong	Held the investor meeting and press conference for the 2017 annual results announcement
	Hong Kong	Participated in the 2017 annual results road show conference organized by Morgan Stanley
March	Hong Kong	Participated in the 8th Investor Conference organized by Morgan Stanley
April	Hong Kong	Participated in the bonds issuance road show conference organized by Morgan Stanley
	Singapore	Participated in the bonds issuance road show conference organized by DBS
June	Beijing	Participated in the 2017 annual results road show conference organized by Industrial Securities
	Hong Kong	Participated in the Asia Pacific Investor Conference organized by Citibank
August	Hong Kong	Held the investor meeting and press conference for the 2018 interim results announcement
	Hong Kong	Participated in the 2018 interim results road show conference organized by DBS
September	Hong Kong	Participated in the REIT Day Seminar organized by Daiwa Capital
November	Macao	Participated in the 3rd Investor Forum organized by Citibank
	Singapore	Participated in the 17th Asia Pacific Summit organized by Morgan Stanley

ANALYSIS COVERAGE

With continuous and steady growth of the Yuexiu REIT's business, the capital market was increasingly interested in the performance of the Yuexiu REIT in 2018. A number of securities institutions published a number of research reports on the Yuexiu REIT during the year. 9 securities institutions (including Morgan Stanley, Citibank, DBS, Daiwa Capital, Credit Suisse, Deutsche Bank, Bank of America Merrill Lynch, Mizuho Bank and Industrial Securities) issued a number of research reports on Yuexiu REIT during the year, and most of the research reports recommended the rating of "Buy in", indicating that the analysts were optimistic about the future development prospects of the Yuexiu REIT.

AWARDS

Yuexiu REIT is the first Hong Kong listed real estate investment trust with properties located in the PRC. In 2018, by leveraging on good corporate governance, bright development prospects and professional efforts in investor relations, the Yuexiu REIT and the Manager were presented with the Enterprise Award under "Quamnet Award 2017 - The Most Remarkable Investor Relations Recognition - Main Board Category" by Quamnet in May 2018; Main Board and Extraordinary Enterprise Award under "Hong Kong Outstanding Enterprise 2018" by Economic Digest in November.

PROSPECT

The Manager will continue to increase enhancement efforts in investor relations, reinforce communication and liaison with investors for more transparency so as to achieve effective mutual interactive communication between the Manager and the investors.



PROPERTY VALUATION REPORT

Yuexiu REIT Asset Management Limited

as the "Manager" of Yuexiu Real Estate Investment Trust

17th Floor, Yue Xiu Building,
No. 160 Lockhart Road,
Wanchai, Hongkong

AND

HSBC Institutional Trust Services (Asia) Limited

as the "Trustee" of "Yuexiu Real Estate Investment Trust"

17th Floor, Towers 2 & 3, HSBC Centre,
No. 1 Sham Mong Road,
Kowloon, Hong Kong

25 February 2019



Savills Valuation and
Professional Services Limited
1208, Cityplaza One
1111 King's Road, Taikoo Shing
Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

Dear Sirs,

- RE: (1) GUANGZHOU INTERNATIONAL FINANCE CENTRE, NO. 5 ZHU JIANG WEST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (2) VARIOUS UNITS IN WHITE HORSE BUILDING, NOS. 14, 16 AND 18 ZHAN NAN ROAD, YUEXIU DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (3) VARIOUS UNITS IN FORTUNE PLAZA, NOS. 114, 116 AND 118 TI YU EAST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (4) VARIOUS UNITS IN CITY DEVELOPMENT PLAZA, NOS. 185, 187 AND 189 TI YU WEST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (5) VARIOUS UNITS IN VICTORY PLAZA, NO. 101 TI YU WEST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (6) TOWER 2 AND 315 CAR PARKING SPACES (INCLUDING 80 MECHANICAL CAR PARKING SPACES AND 23 PUBLIC CAR PARKING SPACES) AT BASEMENT LEVELS 1 AND 2, HANGZHOU VICTORY BUSINESS CENTER, NO. 9 JIANGXIU STREET, QIANJIANG NEW TOWN, JIANGGAN DISTRICT, HANGZHOU, ZHEJIANG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (7) YUEXIU TOWER, NO. 388 FUSHAN ROAD, LOT NO. QIU 2/9 JIEFANG 302, WEIFANG XINCUN STREET, PUDONG NEW DISTRICT, SHANGHAI, THE PEOPLE'S REPUBLIC OF CHINA**
- (8) WUHAN YUEXIU FORTUNE CENTRE, STARRY VICTORIA SHOPPING CENTRE AND VARIOUS CAR PARKING SPACES, NO. 1 ZHONGSHAN AVENUE, QIAOKOU DISTRICT, WUHAN, HUBEI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**

INSTRUCTIONS

We refer to the instructions from the Manager and the Trustee of “Yuexiu Real Estate Investment Trust” (“Yuexiu REIT”) for us to value the captioned properties (individually referred to as the “Property” and collectively referred to as the “Properties”) located in the People’s Republic of China (the “PRC”), we confirm that we have inspected the Properties, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 December 2018 (“the Valuation Date”) for accounting purpose.

BASIS OF VALUATION

Our valuation of each property is our opinion of its market value on a 100% interest basis which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors (“HKIS”), which incorporates the International Valuation Standards (“IVS”), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 6.8 of the Code on Real Estate Investment Trusts (the “REIT Code”).

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr. Charles C.K. Chan and Mr. Anthony C.K. Lau. Mr. Charles C.K. Chan is the Managing Director of Savills Valuation and Professional Services Limited (“SVPSL”) and a Fellow of the HKIS with over 34 years’ experience in valuation of properties in Hong Kong and 29 years’ experience in valuation of properties in the PRC; Mr. Anthony C.K. Lau is a Director of SVPSL and a corporate member of the HKIS with over 25 years’ experience in valuation of properties in the PRC. Both of them have sufficient knowledge of the relevant markets, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Properties, SVPSL, Mr. Charles C.K. Chan and Mr. Anthony C.K. Lau had been involved in valuations of the Properties in the past 12 months.

We confirm that we are independent of the scheme, the Manager, the Trustee and each of the significant holders of the scheme in accordance with the REIT Code issued by the Securities and Futures Commission in Hong Kong (the “SFC”). We are not aware of any instance which would give rise to potential conflict of interest from SVPSL or Mr. Charles C.K. Chan or Mr. Anthony C.K. Lau in the subject exercise. We confirm SVPSL, Mr. Charles C.K. Chan and Mr. Anthony C.K. Lau are in the position to provide objective and unbiased valuation for the Properties.



PROPERTY VALUATION REPORT

VALUATION APPROACHES

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions and/or offerings of comparable properties. In the course of our valuation, we have principally adopted both Income Capitalization Approach and Discounted Cash Flow Analysis (“DCF Analysis”) and counter-checked by the Direct Comparison Approach.

INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach is a Approach of valuation whereby the existing rental incomes of all lettable units of each property are capitalized for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalized for the unexpired term of the land use rights under which the property is held. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income (i.e. market rental income) as appropriately deferred for the leased portion and the capitalized value of the vacant portion provides the market value of each property.

DCF ANALYSIS

DCF Analysis is a Approach where a discount rate is applied to a series of cash flows over an investment horizon including a terminal value to discount them to a present value. We have either adopted a 5-year or 10-year projection time frame in our DCF Analysis depending on the type of property. In preparing the DCF Analysis, the income and expenses over the coming 5 or 10 years from the Valuation Date are itemized and projected annually taking into account either the historical operating accounts or the contractual tenancies, and the expected growth of income and expenses. The net cash flows from the 6th or 11th year onward are capitalized at appropriate terminal capitalization rates for the Properties until the expiry of the respective land use terms. The terminal values are then discounted at our adopted rates that reflect the rates of return that adequately compensate the investors for the risks taken.

DIRECT COMPARISON APPROACH

As a supporting approach to our valuation, we have also considered the Direct Comparison Approach as a reference check for the valuations arrived from Income Capitalization Approach and DCF Analysis whereby comparable sales transactions and/or listings of comparable properties as available in the market are collected and analyzed. Appropriate adjustments are applied to the comparable properties to adjust for the discrepancies between the Properties and the comparables.

APPROACH TO VALUE

In arriving at the market values of the Properties, excluding the hotel and serviced apartment portions of Guangzhou International Finance Centre, we have applied equal weighting to the values derived from Income Capitalization Approach and Discounted Cash Flow Analysis; whilst the market values of the hotel and serviced apartment portions of Guangzhou International Finance Centre are assessed by DCF Analysis.

TITLE INVESTIGATIONS

We have been provided with extracts of the documents relating to the Properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given by the Manager and accepted advice on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, tenancy details, operating accounts, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Manager which is material to our valuation. We are also advised by the Manager that no material facts have been omitted from the information supplied.

VALUATION ASSUMPTIONS

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the Properties for their specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. Unless otherwise stated, we have also assumed that the owners of the Properties have good legal titles to the Properties and have free and uninterrupted rights to use, occupy, lease or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

SITE INSPECTION

We have inspected the exterior and where possible, the interior of the Properties. On-site inspections for the Properties located in Guangzhou were carried out by Ms. Joanna Cheung (Assistant Manager) on both 29 and 30 January 2019. Mr. Anthony Lau (Director) and Ms. Joanna Cheung have inspected the Properties located in Wuhan and Hangzhou on 18 and 19 December 2018 respectively. Mr. Sam Ngai (Assistant Manager) have inspected the Property located in Shanghai on 21 December 2018. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.



MARKET COMMENTARY

GUANGZHOU

OVERVIEW

For the first nine months of 2018, Guangzhou's GDP increased by 6.3% year-on-year (YOY) to RMB1,670.8 billion. Total value-added of tertiary industries grew by 6.6% YOY, contributing 70.0% of the city's GDP over the same period. Fixed asset investment increased by 6.9% YOY, and the city's CPI was 2.3% up to the first nine months of 2018. The local government announced recently that GDP growth for 2018 is forecasted at 6.5%, 1% short of the government's target as weaker exports and slowing private sector investment the major causes for slowing growth.

OFFICE

In 2018, a total of two new office projects with a combined gross floor area (GFA) of approximately 207,405 sq.m. entered the city's Grade A office market and total stock increased to exceed 5.2 million sq.m. New office supply included Poly Midtown Plaza (保利中悅廣場) and Poly Skyline Plaza (保利天幕廣場) all located in Pazhou. Aggregate new Grade A office supply continued to drop as compared to that of 2017, this enabled the market to further digest existing stock, with overall vacancy rate dropped 4.3 percentage points YOY to 4.3% in 2018.

With no new Grade A office supply in first half of 2018, leasing demand for offices was strong with total take-up amounted to 330,209 sq.m. up to Q3 2018. The financial, insurance, real estate, professional services and IT sectors located in Pazhou and Zhujiang New Town constituted the main drivers for the strong take-up. Vacancy rate of Grade A offices in Zhujiang New Town and Pazhou dropped significantly to 4.2% and 9.1% in 2018. In other major office districts, both Yuexiu and Tianhe Bei all recorded a substantial drop in vacancy to 1.7% and 1.8% respectively.

City-wide average rent increased by 11.2% YOY to RMB190.9 per sq.m. per month. The average rent for Zhujiang New Town rose to RMB223.6 per sq.m. per month, representing an increase of 14.3% YOY. The average rent for Pazhou increased by 16.4% YOY to RMB147.5 per sq.m. per month, which was the largest gain in Guangzhou in 2018. Grade A office rents in Yuexiu increased 6.6% YOY to RMB132.8 per sq.m. per month, with vacancy rate dropped 5.0 ppts to 1.7% in 2018.

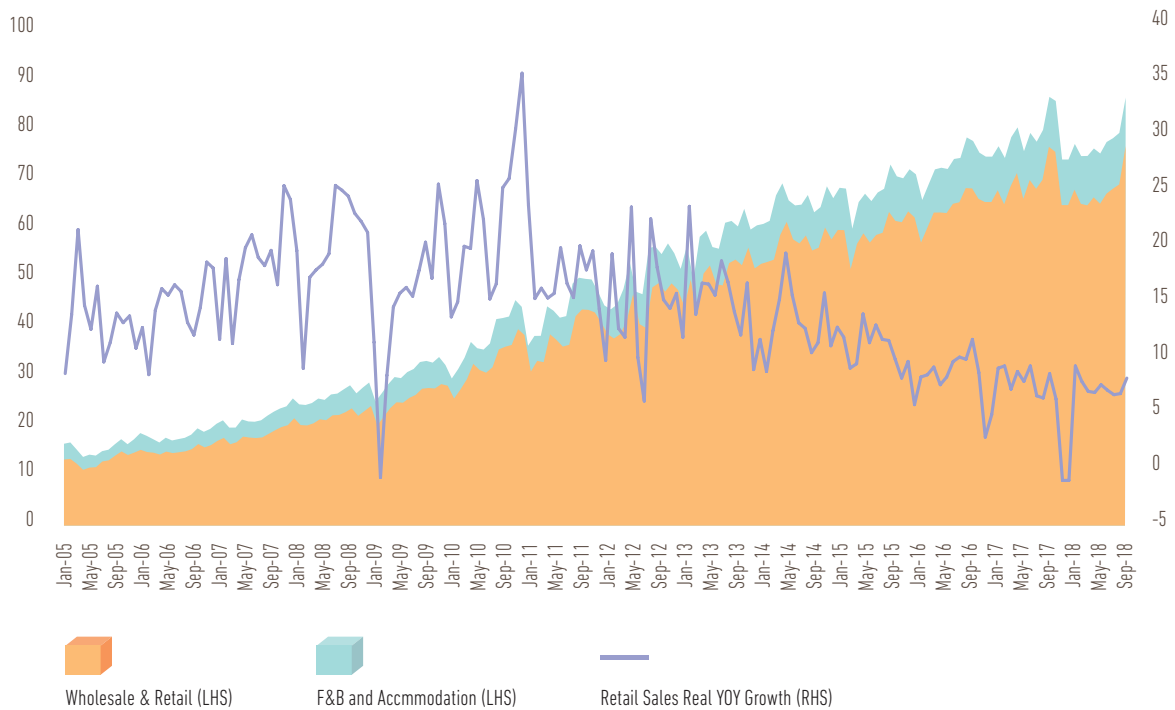
Looking forward, aggregate new office supply will reach approximately 1.8 million sq.m. in 2019. The huge supply in 2019 is mainly due to construction delays of office properties such as the Guangzhou Daily Project (廣州報業中心) and Guangfa Securities Tower (廣發證券大廈), with handovers delayed to Q4/2018 or even later without exact expected completion date. The majority of new supply, however, is concentrated in Pazhou and International Financial Town, and as such the impact on prime office submarkets as Zhujiang New Town will be moderate or minimal.

RETAIL

Between 2005 and 2017, retail sales in Guangzhou increased at a CAGR of 14.2% to 940.3 billion, making Guangzhou's retail market one of the fastest-growing markets in mainland China. Strong growth in the retail market has been primarily supported by the rising disposable income and a propensity of the local populace to consume.

Retail sales recorded an YTD, YOY real growth of 7.5% for the first eleven months of 2018, totalling RMB844.1 billion. In terms of retail sales growth rate, Guangzhou was in the third place amongst the first-tier cities in China after Shanghai and Shenzhen (the YTD, YOY retail sales growth of Shanghai, Shenzhen and Beijing up to November 2018 was 7.9%, 7.7% and 3.0% respectively).

Total Retail Sales in Guangzhou, Jan 2005 -Nov 2018



Source: Municipal Statistics Bureau of Guangzhou

Prime retail property stock of Guangzhou accumulated to 6.0 million sq.m. up to the end of 2018, with over 80% of new supply in area terms from Baiyun District. A total of 6 prime retail projects were put on market during 2018, with four of which opened in Q4 2018. Tianhe Road and Yuexiu District are the two major prime retail precincts in 2018, however, as share of Tianhe Road dropped to approximately 21% of total prime retail stocks in terms of GFA, followed by Baiyun District while Yuexiu District comes next with approximately 13% share in GFA terms.

City-wide vacancy rates dropped 1.3 ppt YOY to 6.1% by the end of 2018. The vacancy rate in non-prime areas dropped 2.2 ppt to 6.9%, while the vacancy rate in prime areas slightly increased 0.6 ppt to 4.2%.



PROPERTY VALUATION REPORT

City-wide retail first-floor rents increased by 6.1% YOY to RMB740.4 per sq.m. per month by the end of 2018. Prime area first-floor rent increased 7.0% QoQ to RMB1,177.9 per sq.m. per month. Non-prime area first-floor rents increased 9.1% YOY to RMB 397.8 per sq.m. per month during 3Q/2018. Overall, first-floor rents in emerging areas are expected to moderately rise in the short-to-middle term. Current population density in emerging areas, and steadily increasing urbanisation rates will provide a solid foundation for footfall growth. Additionally, facilities and equipment improvement in emerging areas' shopping malls will create a positive atmosphere in the mall and improve future performances in non-prime areas.

Going forward, it is expected that a total of five new shopping malls with an aggregate GFA of approximately 370,000 sq.m. would be launched in 2019. The new supply peak is expected to exert pressure on rising vacancy rates particularly in Baiyun District and Panyu District, with rental growth to be moderate in general.

HOTEL

In 2017, overnight tourist arrivals to Guangzhou reached 62.8 million, representing a 5.7% YOY growth. Overseas tourist arrivals increased 4.7% YoY to 9.0 million and domestic tourist arrivals increased 5.9% YoY to 53.8 million. Domestic travellers continued to occupy as Guangzhou's largest source market, contributing 85.7% to overnight visitor arrivals in 2017.

	2011	2012	2013	2014	2015	2016	2017	CAGR
Overnight Tourist Arrivals (million)	45.9	48.1	50.4	53.3	56.6	59.4	62.8	5.4%
Domestic Visitors Arrivals (million)	38.2	40.2	42.7	45.5	48.5	50.8	53.8	5.9%
Domestic Tourism Receipts (RMB billion)	131.5	158.7	188.2	218.5	252.1	280.0	318.8	15.9%
International Visitor Arrivals ('000s)	7.8	7.9	7.7	7.8	8.0	8.6	9.0	2.4%
Tourism Foreign Exchange Revenue (RMB billion)	31.5	32.4	32.0	33.6	35.2	41.6	42.6	5.2%

Source: Guangzhou Statistics Bureau

Total number of star-rated hotels in Guangzhou dropped from 249 in 2011 to 180 in 2017. During the same period, total number of 5-star hotels increased from 20 to 22, whereas total number of 4-star hotels dropped to 34. Total number of guestrooms increased 4.8% YoY to 92,568 in 2017, the majority of which were midscale hotels located in non-prime or emerging city districts.

	2011	2012	2013	2014	2015	2016	2017	CAGR
Number of Star-rated Hotels	249	226	227	216	204	188	180	-5.3%
No. of 5-Star Hotels	20	21	23	23	21	22	22	1.6%
No. of 4-Star Hotels	38	36	38	41	39	37	34	-1.8%
No. of Guestrooms	66,232	65,267	72,311	80,930	77,893	88,335	92,568	5.7%
No. of Beds	110,081	106,810	114,072	122,939	136,128	134,558	137,593	3.8%

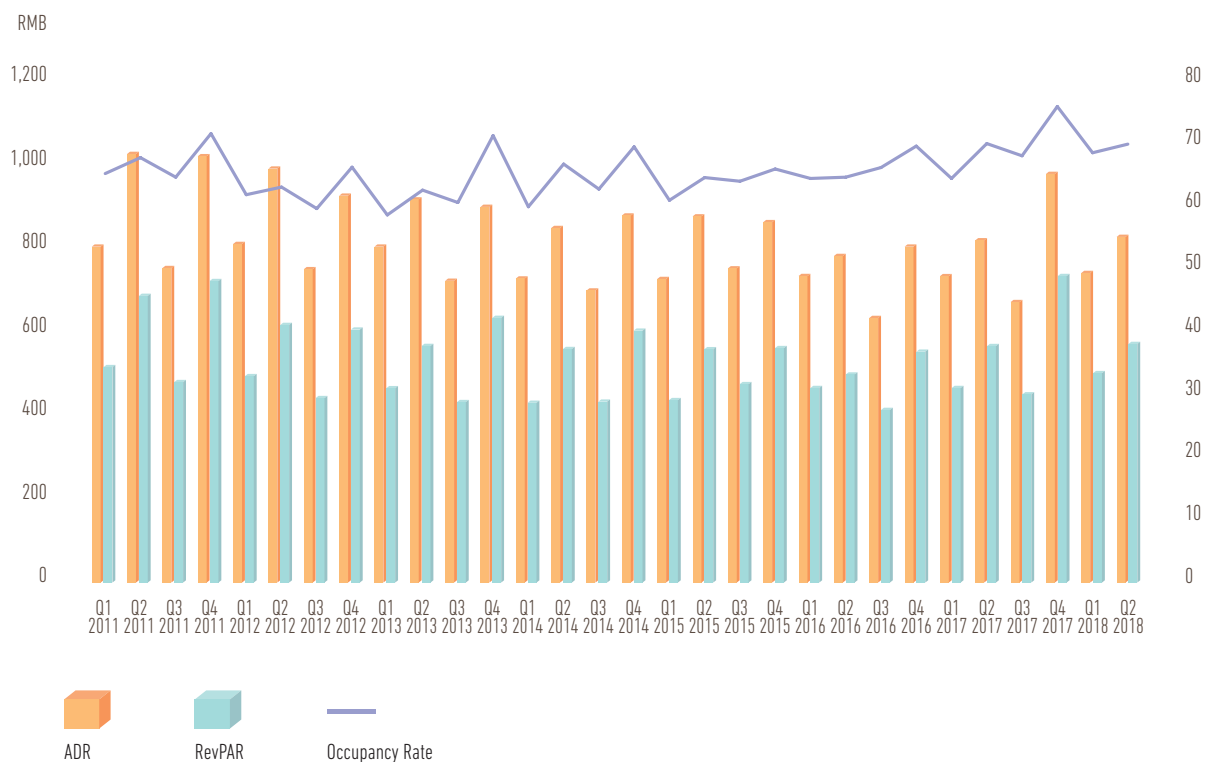
Source: Guangzhou Statistics Bureau

New supply of 5-star hotel in Guangzhou in 2018 included InterContinental Guangzhou Exhibition Center (广州保利洲际酒店) (350 rooms, January 2018) and LN Garden Hotel Nansha Guangzhou (广州南沙花园酒店) (365 rooms, August 2018), both of which were located in emerging districts of Haizhu and Nansha respectively.

Other notable upscale hotels in the supply pipeline include Solis Guangzhou (268 rooms, Fangcun, scheduled to delay to 2019), Rosewood Guangzhou (251 rooms, Zhujiang New Town, scheduled Spring 2019), Sheraton Guangzhou Panyu (270 rooms, scheduled 2019 or thereafter), and Hilton Guangzhou Panyu (250-500 rooms, scheduled 2019 or thereafter).

Guangzhou has been one of the major business and conference hubs in southern China for the past few decades. The Canton Fair and Spring fair and other conferences support Guangzhou's hotel market and have been one of the major impetus to impact the performance of 5-star hotels in Guangzhou. Both ADR and RevPAR of 5-star hotels indicated continuous improvement in Q1 and Q2 2018 as compared to those of 2017, in addition, occupancy rate indicated a slight improvement during the corresponding period. All in all this suggests the upscale hotels in Guangzhou has weathered the storm well after witnessing a huge supply boom in last few years. It is expected that the occupancy level and room rate growth will see continuous improvement in 2019, as increasing corporate demand and leisure demand will help boost the market.

PERFORMANCE OF 5-STAR HOTELS IN GUANGZHOU



Source: Ministry of Culture and Tourism

SERVICED APARTMENT

The serviced apartment market in Guangzhou performed strongly in 2018, which is attributable mainly to increasing demand generated from domestic manufacturing and IT industries, and a vacuum of new supply. As a number of new projects under construction postponed completion dates to early 2019, total stock remained at 3,409 units at the end of Q4 2018.

The average vacancy rate of the serviced apartment market dropped to 0.7% by the end of Q3 2018, which was due primarily to strong leasing demand and lack of supply. The serviced apartment market of Guangzhou is supported by the stable demand from expatriates and senior executives at MNCs and leading domestic companies from the manufacturing and IT industries. The new demand is being generated by both business elites and younger tenants with strong financial backgrounds who prefer independent accommodations, instead of living with their families.



PROPERTY VALUATION REPORT

Rents for the serviced apartment property market in Guangzhou increased 4.61% as compared to Q2 2018 (Q2: RMB194.1) to RMB203.1 per sq.m. per month during Q3 2018 as a result of robust demand and decreasing vacancy rates.

Major new supply of serviced apartments in 2019 includes Jumeirah Living Guangzhou (scheduled opening in Q4 2018 but mostly likely be deferred to Q1 2019) with 169 luxurious residences, and the Rosewood Guangzhou with 355 luxurious residences. Total serviced apartment stock in Guangzhou is expected to increase to reach 4,000 units or above. As most of the new supply will be concentrated in Tianhe District, competition will be keen amongst operators within the district. However, with continued robust demand from both senior executives of domestic companies and expatriates alike, tariffs fetched by serviced apartments are expected to remain stable, or with slight increase in the near term.

SHANGHAI

OVERVIEW

Shanghai is one of the financial centres and one of the four autonomous municipalities in the country. The China (Shanghai) Pilot Free Trade Zone ("SFZ") was approved by the State Council in 2013 as the first pilot free trade zone in China. Initially covered 28.78 sq.km. in area, the SFZ was expanded to 120 sq.km. in 2015, and in 2018 plans were gathered to expand the SFZ to approximately 600 sq.km., with expanded area including Lingang and Hongqiao to increase its appeal to foreign investors especially in industries such as new energy vehicles, medicine and healthcare. While these plans are yet to conclude and announce until mid-2019, the expansion of the SFZ will reinforce China's national goal to convert the city into a global financial centre by 2020, and the expansion will be matched by large-scale liberalization, as witnessed by the city's continued deepening measures for opening-up and reform in 2018 by introducing 100 measures to further open up sectors such as finance and advanced manufacturing, and the proposal of setting up a financial court in Shanghai as part of the efforts to improve the judiciary system for the financial sector and help ward off financial risks, in addition to the city's reforms in protecting intellectual property rights, promoting the import system and improving the business environment.

Originally a government-designated national level development zone in Shanghai, the Lujiazui financial area was added to SFZ since March 2016, and has significantly increased the attractiveness of offices in Lujiazui. The deepened opening-up and reform of the financial services sector in 2019 and beyond, for instance the expansion of the scale of asset-backed securitization in Shanghai and widening of channels for overseas yuan liquidity to flow back to China as recently announced by the People's Bank of China, will certainly help boost and reinforce the position of the district as the financial hub of Shanghai and China.

Little Lujiazui is the city's financial hub and most expensive and largest office submarket. Almost fully built out, with tenants typically expanding to the neighbouring Zhuyuan.

Zhuyuan is a key back office location for financial firms with premises in Lujiazui and characterized by significant influx of new supply in recent years. It has become the second largest submarket in Shanghai's decentralized office property market.

ECONOMIC DEVELOPMENT

Shanghai recorded a sustainable economic growth during 2018, with GDP increased at 6.6% YOY to RMB3,268.0 billion, keeping pace with the country's 6.6% GDP growth during the corresponding period. Consumer Price Index slightly increased 1.6% over 2017. Shanghai's steady economic growth, moderate inflationary environment, combined with the numerous business opportunities the city offers, has made Shanghai a desirable place for both domestic and foreign businesses to set up or expand their businesses in. The city's attractiveness, evidenced by the utilised foreign direct investment totaling United States Dollars 17.3 billion in 2018 (up 1.7% YOY), have been driving up the demand for office spaces in the city. Service sector has been increasingly important for Shanghai, with its constituency in GDP increasing from 59.0% in 2012 to 69.9% in 2018. Shanghai's continuously rising tertiary sector, with a compound annual growth rate of 8.3% over the past six years, has also increased the demand for office spaces. The financial industry in Shanghai has been growing at an accelerating rate over the past five years. Amid deepened reforms which will help maintain healthy growth of the financial market, the accelerating growth is expected to continue, driving up the demand for office spaces in the Lujiazui and Zhuyuan area.

SUPPLY AND DEMAND OF OFFICES IN LUJIAZUI AND ZHUYUAN

In 2018, a total of 10 new Grade A office projects in core office areas with an aggregate GFA of approximately 779,000 sq.m. was put into market. Three office properties comprising Pudong Financial Square (陸家嘴金融中心廣場), Lujiazui Financial Holding Plaza (陸家嘴金控廣場) and Shimao Tower (上海世茂大廈) with an aggregate GFA of approximately 235,200 sq.m. were situated in Zhuyuan CBD. Total Grade A office stock within core office areas increased 8.6% YOY to approximately 8.8 million sq.m. by the end of 2018.

Net take-up in 2018 remained strong to reach 637,844 sq.m., with demand for offices strong in the second quarter. The financial sector accounted for the biggest demand in 2018, followed by demand from flexible workspace operators, and the retail & trade category. Together they accounted for approximately two third of overall demand for Grade A offices in 2018. Overall core market vacancy rate increased slightly from 11.8% in 2017 to 12.4% in 2018.

Office demand in Lujiazui stemmed mainly from financial services and technology companies, with take-up being weak in 2018, and vacancy increased in Q3 2018 to approximately 10%, whereas average Grade A office rent in Lujiazui remained flat at RMB11.3 per sq.m. per day.

Office vacancy rate at Zhuyuan increased from 6.0% during Q1 2018 to 12.0% in Q2 2018, and remained level at 12.0% in Q3 2018. Office average rent in Zhuyuan remained flat at RMB8.2 per sq.m. per day in Q3 2018, and recorded a moderate increase of 2.5% YOY as compared to that of Q3 2017.

OUTLOOK

Looking ahead, new office supply will be will be hefty with an estimated aggregate supply at approximately 2.79 million sq.m. between 2019 and 2020. 61% of the new supply or approximately 1.7 million sq.m. of office area will be located in the CBD districts of Puxi and Pudong. Notable new projects in 2019 pipeline include the Kaisa Financial Centre in Pudong CBD, and Dong Financial City Phase 1, Greenland Wuliqiao and Harbour 55 in Puxi CBD. It is inevitable that competition for tenants will be intensified in the short term, with rentals under tremendous pressure to trend down.



PROPERTY VALUATION REPORT

WUHAN

OVERVIEW

Wuhan is the provincial capital of Hubei province located in the center of China. It is the economic, finance, education, and technology hub of central China and the most affluent provincial capital city among all the six provinces in the region of central China. In accordance with the 'Wuhan 2049 Long-term Development Strategic Plan', implemented since 2014, Wuhan targets the goal in becoming one of Asia's world cities, and committing to the development of core functions as the centre for innovation, trade, finance and advanced manufacturing. As Wuhan is one of the most important transportation hubs in China, dozens of railways, expressways and flight routes pass through the city, connecting China's central and western inland and its eastern coastal regions. As a result, manufacturing and domestic trade have flourished in Wuhan, allowing the city to become a strategic location for many companies that wish to expand their business from the cities in the east of China such as Beijing and Shanghai to the central and western part of the country. Many businesses even regard Wuhan as the 'golden key' to fully penetrate the Chinese market.

ECONOMIC PERFORMANCE

As the key city in the Yangtze River Economic Belt and the most populous city in Central China, Wuhan's economic growth remained robust and the city has emerged as one of the fastest growing urban cities in China. In 2018, Wuhan's GDP increased 8.0% in real terms to RMB1,484.7 billion, outpaced that of national growth by 1.4% and ranked fourth among sub-provincial cities in China and ninth among all Chinese cities in terms of GDP. Total value-added of tertiary industries grew by 10.1% YOY to RMB810.8 billion, while fixed asset investment increased by 10.6% YOY.

Besides, Wuhan's infrastructure developed rapidly in recent years. The number of Metro Lines in the city increased from one in 2011 to nine in 2018. In particular, the economic activities in Qiaokou District are underpinned by the Metro Line 1, which connects the major business districts in Hankou area.

Looking forward, with the scheduled completion of the Yangsigang Yangtze River Bridge (武漢楊泗港長江大橋) to complete in Q2 2019, Qiaokou District will benefit from the more convenient transportation network and the growth of business activities in the district will accelerate.

OFFICE

The Wuhan office property market was active in 2016 and 2017, with policy support and sustainable economic growth being the major driving force for the thriving office market. Market absorption was high with take-up at historical level amongst domestic enterprises, and demand was mainly driven by finance, professional services, and real estate sectors. This trend continued in 2018 as market absorption remained strong in 1H 2018, with net absorption to reach over 180,000 sq.m. during the corresponding period.

Overall rent for Grade A offices in the core business district averaged RMB124.5 per sq.m. per month in Q2 2018, representing a slight increase of 1.7% on a quarterly basis. Amongst various submarkets, the Hankou RCD office submarket recorded a moderate drop of 1.96% QOQ to RMB134.9 per sq.m. per month in Q2 2018, while the Jianshe Avenue office submarket recorded a slight increase of 1.1% QOQ to RMB118.2 per sq.m. per month during the corresponding period. Rental levels in other business districts were stable or edged slightly upward in Q2 2018.

The Guanggu New World in the Optics Valley office submarket with a total GFA of 87,400 sq.m. was launched in Q1 2018. Total Grade A office stock increased to 1.8 million sq.m. by the end of Q2 2018. In 2H 2018, a total of 393,223 sq.m. of new office supply is scheduled to complete. This includes, among others, the DSM International Centre and Tianyue Bund Financial Centre. In the next three years, new office supply is expected to be huge with aggregate GFA to reach over 1.3 million sq.m. Despite this looming supply, the office market is expected to remain stable, with office demand being set to be boosted by government policy support and ongoing urbanization of the city.

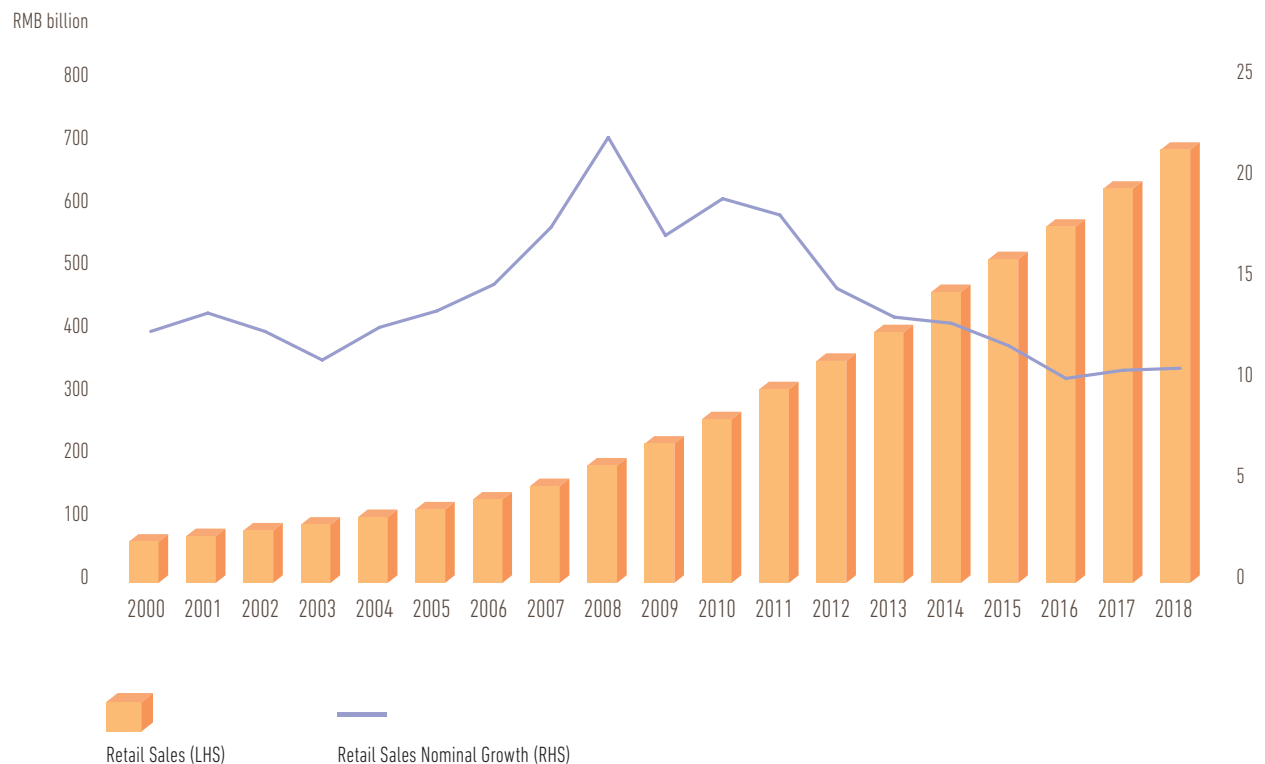
For Hankou area, average rental of mature Grade A office remained stable at around RMB120 per sq.m. per month in Q2 2018. It is expected that rental growth within this submarket will be restrictive in the short term, whereas the robust economic growth and growing business activities under the “Wuhan 2049 Long-term Development Strategic Plan” blueprint will underpin the demand for office space and continued office absorption. The convenient transportation network in Qiaokou District will render the place into a trade and financial centre under the proposed urban scheme, and help boost rents of Grade A office in the district up stably in the long run.

RETAIL

Wuhan's rapid economic development has resulted in a significant increase in its resident's disposable income, which in turn has contributed to its incredible retail growth. During 2017, the average annual disposable income of urban households has increased by 9.1% to RMB43,405. In the more affluent group of the city, the average annual disposable income of upper income group has reached RMB54,624 in 2017. In 2018 disposable income of general households of Wuhan increased 9.0% YOY to RMB42,133.

The retail industry is booming in Wuhan as a result of the growing affluence and willingness to spend of general households. Retail sales of Wuhan grew from RMB257 billion in 2010 to RMB684.4 billion in 2018, growing at a CAGR of 13.0% and accounting for 37.3% of Hubei province's overall retail sales, making Wuhan as the largest city in Central China in terms of retail sales volume.

Wuhan Retail Sales, 2000-2018



Source: Wuhan Statistics Bureau

Total retail market stock remained at approximately 2.33 million sq.m. in Q2 2018, as no new retail supply was added to the market. New projects scheduled for completion and opening in 2018 comprise, among others, Evergrande Plaza, Wuhan Bingo City and Liberty City, New World K11 and Nanguo Centre 2. The retail market is set to receive approximately 541,000 sq.m. of new supply in 2018, which will bring total stock to up to approximately 2.9 million sq.m.



PROPERTY VALUATION REPORT

During 2018, demand for traditional retail stores continued to remain strong, with overall vacancy rate dropping further to approximately 3.1% by the end of Q2 2018. Demand was mainly supported by fashion retailers, entertainment brands and children-related brands. However, following the online-to-offline trend, "new retail" is also imposing its influence on retail market of Wuhan. Fresh Hema (盒馬鮮生) entered Wuhan and opened its first store in E-Like (former Sone Park), taking up 4,100 sq.m. of retail space. In addition, F&B retailers continued to expand. AD-Ben (公元銘美食廣場), a Wuhan-based food court brand established in 2013, opened 1,900 sq.m. of new space in Hutchison-Whampoa's M+ Mall, and is expected to expand to more cities. A number of experiential cultural and creative brands, including Augusmith (全愛工匠), Zowoo (作物) and Urban Farming (都市農莊), also made their first presences in Wuhan. These new retail brands and stores are indicative of the lines that retailers are going to take in Wuhan, and will be exciting if they continue to thrive in the market.

Overall first floor average rents slightly increased 0.1% on a quarterly basis to RMB638.4 sq.m. per month in Q2 2018. Rents in prime area averaged RMB733 per sq.m. per month, while non-prime rents averaged RMB457 per sq.m. per month during the corresponding period.

The retail property market in Qiaokou District is expected to remain stable, with rental growth to be supported by expansion of retailer network in personal healthcare and beauty products, entertainment and children-related services in the uptown area of the district.

Going forward, in the next five years, the aggregate new supply of prime retail space is expected to reach 3.1 million sq.m. in Wuhan. The city's retail blueprint will be increasingly competitive and diversified with the entry of market players such as Hang Lung, Gemdale, Sino Ocean, Huafa, CR Land and COFCO. Under these circumstances, landlords of existing projects must come up with differentiated strategies and new attractions to increase footfalls and retain tenants.

HANGZHOU

OVERVIEW

Located in the southern wing of the Yangtze River Delta, western tip of the Hangzhou Bay, Hangzhou is the economic, cultural, science and educational centre of Zhejiang Province. In 2018, Hangzhou is marked by steady economic growth with GDP increased at a real growth rate of 6.7% to RMB1,350.9 billion, marking the city as the 10th highest amongst all cities of China in terms of total economic output. Total value-added of the tertiary sector increased 7.5% YOY to RMB863.2 billion, accounting for 63.9% of total GDP. The Hangzhou Metropolitan Area (杭州都市經濟圈), a regional planning initiative that integrates the city's development with other north Zhejiang cities including Huzhou, Shaoxing and Jiaxing, had a combined resident population of 22.1 million and a GDP of RMB2,651.7 billion, representing an increase of 8.3% over 2017 and accounting for 47.2% of the provincial GDP in 2018. The overall competitiveness of the Hangzhou Metropolitan Area was ranked 4th amongst 18 metropolitan areas in China, after Shanghai, Guangzhou and Beijing.

The economy of Hangzhou in recent years has been built on the "1+6" industrial structure to move the city forward to a digitized economy. The "1+6" industrial structure, which comprises digitized economy sector and other major services and manufacturing sectors, accounted for 78.5% of total economic output of Hangzhou by Q3 2018. For the first nine months of 2018, the total added value of the city's digital economy reached RMB245.6 billion, representing an increase of 14.1% over the last corresponding period and accounting for 25.4% of GDP. The total added value of cloud computing and big data up to Q3 2018 accounted for an aggregate RMB92 billion, representing an increase of 17.5% over that of 2017. The Hangzhou government has attached the importance of new technology development, and in July 2017 issued the "Digital Hangzhou" development plan, which regards the digital economy as the "No. 1 project" and regards artificial intelligence as the key field to promote the development of the digital economy and enhance the competitiveness of the city.

Built on the fast growing high-technology industry and e-commerce, Hangzhou is quickly becoming home to fortune and wealth accumulation. GDP per capita in 2018 is expected to increase by over 5% in nominal terms to reach over RMB140,000, and remains the highest in Zhejiang province. Urban disposable income per capita increased 8.7% YOY to RMB61,172 by the end of 2018.

OFFICE

The Grade A office market of Hangzhou has experienced a rapid growth during the past decade with total office stock increased to 2.20 million sq.m. in 2018. For the past three years, the market recorded a supply peak with annual average new supply reached 335,000 sq.m. New supply peaked in 2017 with over 500,000 sq.m. being put into the market, and approximately 70% of new supply stemmed from the Qianjiang New City (QJNC) (錢江新城) area, the core area in the Qiantang River Finance Bay (a new planned area home to financial headquarters, private funds, internet finance and big data companies) and identified as Hangzhou's new CBD located in the southeast side of Jianggan district (江干區) and north bank of the Qiantang River with a total area of 15.8 sq. km.

The Huanglong (黃龍) and Wulin (武林) district are the two prime office markets in Hangzhou with total Grade A office stock reached 535,500 sq.m. in 2018. The QJNC, since its development from 2010, has taken over as the largest prime office market in Hangzhou with total Grade A office stock reached 1,360,000 sq.m. in 2018. New supply of Grade A offices in QJNC in 2018 included GT Land Plaza ICON Office (高德置地廣場) and Dikai City Star International Tower A (迪凱城星國際) with an aggregate new supply of 130,000 sq.m.

Other non-prime office area in Hangzhou includes Qingchun Road (慶春路), which comprises total Grade A office stock of 227,100 sq.m. in 1H 2018. The Qingchun Road district is advantageous in location, with a number of government financial institutions and leading large hospitals being located in the area, which attracted a large number of companies in finance and pharmaceutical sector to move in.

On the demand side, the three pillar industries of Hangzhou, namely, financial, information and professional services sectors continued to occupy as the key demand drivers of Grade A office leasing market. Impacted by a slower real economy and the continuous crackdown on P2P companies, however, leasing demand for Grade A office space in Hangzhou was weak in 2H 2018. In addition, the market saw increasing demand from co-working brands, with SOHO 3Q and WeWork amongst others have entered into the Hangzhou market. After its first launch in Gonglian Plaza, WeWork, upon its acquisition of Naked Hub, is poised to open its co-working space in additional three locations of Huanglong Vanke Centre, Tian Mu Li Business Park (天目里商務園區) and Mingzhu International Building 5 (明珠國際5號樓).

Average Grade A office rent in Hangzhou increased 2.1% YOY to RMB5.2 per sq.m. per day. In Qianjiang New City (QJNC) average Grade A office rent increased 4.5% YOY to RMB5.06 per sq.m. per day during the corresponding period, and maintained a sustainable growth throughout the past few years. In traditional business areas of Huanglong and Wulin, however, average Grade A office rents recorded a rental drop of 1.9% YOY and 0.6% YOY in 2H 2018, as landlords were more willing to offer rental discounts attracting or retaining tenants.

The overall vacancy rate of Grade A office market in Hangzhou during 2H 2018 increased to 19.5%, or 4.5% higher as compared to 2H 2017. The increase was due mainly to the high vacancy rate recorded by new supply in 2H 2018, and the impact of a tight credit environment and the government's crackdown on P2P companies which dented leasing demand. Vacancy rate in Huanglong increased by 14 percentage points YOY to reach 20%, and was negatively impacted by the moving out of existing tenants from Huanglong to QJNC, and the vacating of P2P companies. Vacancy rate of Grade A office in QJNC dropped 1 percentage point YOY to approximately 16% during 2Q 2018, whereas in Wulin vacancy dropped 3 percentage points YOY to approximately 12.2% during the corresponding period.

OUTLOOK

Eight Grade A office projects with an aggregate area of 625,000 sq.m. are expected to launch in 2019. Key new supply projects will include, among others, China Life Building, World Shibao International Centre West Tower (世包国际中心西塔), Huanglong Vanke Centre Building C and D, and Joy City Tower 1. As market sentiment remains weak under the backdrop of the prolonged China-US trade conflicts and the slowing China economy, it is expected that some of the future supply will delay after 2019. Leasing demand however is expected to remain weak, this may cause office rents to continue a moderate downward trend in the short term.



PROPERTY VALUATION REPORT

Key Office Supply in 2019 Pipeline

Name of Property	GFA (sq.m.)	District	Planned Use
China Life Tower (中國人壽大廈)	190,000	QJNC	Lease
Zhejiang World Trade Headquarter building (浙江國貿總部大樓)	58,000	QJNC	Self-use
World Shibao International Centre West Tower (世包國際中心西塔)	62,000	QJNC	Sale
Huanglong Vanke Center Tower C and D (黃龍萬科中心C及D棟)	100,000	Huanglong	Lease
GDA Plaza (國大城市廣場)	30,000	Wulin	Lease

RETAIL

Total stock of Hangzhou's prime retail property market reached over 3.78 million sq.m. during 2H 2018, with approximately 30% located in retail prime area including Lakeside (湖濱), Wulin (武林) and QJNC. Lakeside and Wulin are traditional prime shopping areas in Hangzhou with high-end shopping malls such as Hubin Yintai (杭州湖濱銀泰) and Kerry Centre (嘉里中心). In QJNC, the area has developed into a prime retail area in the past ten years with the construction of MixC (萬象城) and Raffles City Hangzhou (杭州來福士中心). The rest of the stock is located in the non-prime areas including the west, north, and south of the city proper as well as Qingchun and Binjiang precinct.

Hangzhou's retail property market has seen surge in supply in the past several years, especially in non-prime areas. New supply in the past four years added up to 1.94 million sq.m., one-fifth of which were located in prime areas. In 2018, eight retail projects were launched in downtown Hangzhou, adding a total retail GFA of 739,000 sq.m. including Hangzhou Tower Central Plaza (杭州大廈中央商城) in Wulin; City Mall Phase 2 (西田商業城二期) and Joy City Hangzhou (杭州大悅城) in City north; Yuhang Life Hub (余之城), Intime City (Linping) (臨平理想銀泰城) and Xixi Incity Plaza Phase 2 (西溪印象城二期) in City west; K-Lab in Huanglong District; and In77E (Hubin Yintai Phase 5) (湖濱銀泰五期(E區)) in Lakeside. The Xiaoshan Mixc One (華潤萬象匯) was the only retail property project launched in suburban Xiaoshan District.

On the demand side, the growing retail sales and tourism industry enables the city to absorb the large amount of new supply, with overall vacancy rate dropped 1.9 percentage points to 9.3% in 2H 2018. City-wide first-floor rents remained stable during 2H 2018 at RMB18.4 per sq.m. per day. Average rents in prime and nonprime areas stayed at RMB27.4 per sq.m. and RMB14.4 per sq.m., respectively, during the corresponding period. In prime areas, Lakeside and QJNC recorded the highest average rents at RMB28.2 per sq.m. and RMB26.0 per sq.m. respectively.

In 2019, new supply of prime retail space will remain large with aggregate supply to reach up to 1 million sq.m. Key supply will include, among others, G.T. Land Plaza (高德置地廣場), Pingan Financial Centre Yuefang (平安金融中心悅坊), Longhu Xixi Walkway (龍湖西溪天街) and Central Chezhan Plaza (中央車站廣場). With this huge amount of new supply, competition will be keen and this will certainly push up vacancy rates and impose pressure on rentals.

Key Retail Supply in 2019 Pipeline

Name of Property	Retail GFA (sq.m.)	Precinct
Xixi Haigang City (西溪海港城)	68,600	City west
Central Chezhan Plaza (中央車站廣場)	80,000	City north
G.T. Land Plaza (高德置地廣場)	100,000	QJNC
Longfor Xixi Walkway (龍湖西溪天街)	130,000	City west
Ping'an Financial Centre Yuefang (平安金融中心悅坊)	20,000	QJNC
Yuhang Wanda Plaza(余杭萬達廣場)	96,500	Future sci-tech city
Jinsha Incity Plaza (杭州金沙印象城)	160,000	Xiasha

LIMITING CONDITIONS

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and shall be relied upon by each of the Trustee, the Manager and the Unitholders of the Yuexiu REIT, and no responsibility is accepted to any third party for the whole or any part of its contents.

REMARKS

We thereby confirm that:

1. We have no present or prospective interest in Yuexiu REIT Properties and are not a related corporation of nor have relationship with the Manager, the Trustee or any other party or parties which Yuexiu REIT is contracting with;
2. We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of properties;
3. Our opinion has been given on fair and unbiased basis; and
4. We are acting as an independent valuer as defined in "HKIS Valuation Standards 2017" published by The Hong Kong Institute of Surveyors, which incorporates the IVS.



PROPERTY VALUATION REPORT

CURRENCY

Unless otherwise specified, all money amounts are denominated in Renminbi ("RMB").

We enclose herewith our summary of values and valuation report.

Yours faithfully,
For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS(GP)
MANAGING DIRECTOR

Anthony C K Lau

MRICS MHKIS RPS(GP)
DIRECTOR

Note: Mr. Charles C.K. Chan is a professional surveyor who has over 34 years' experience in valuation of properties in Hong Kong and 29 years' experience in valuation of properties in the PRC.

Mr. Anthony C.K. Lau is a professional surveyor who has over 25 years' experience in valuation of properties in the PRC.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at the Valuation Date
1.	Guangzhou International Finance Centre, No. 5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB18,366,000,000
2.	Various Units in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	RMB5,061,000,000
3.	Various Units in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB1,197,000,000
4.	Various Units in City Development Plaza, Nos. 185, 187 and 189 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB975,000,000
5.	Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB936,000,000
6.	Tower 2 and 315 car parking spaces (including 80 mechanical car parking spaces and 23 public car parking spaces) at Basement Levels 1 and 2, Hangzhou Victory Business Center, No. 9 Jiangxiu Street, Qianjiang New Town, Jiangan District, Hangzhou, Zhejiang Province, The PRC	RMB601,000,000



PROPERTY VALUATION REPORT

No.	Property	Market Value in existing state as at the Valuation Date
7.	Yuexiu Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, the PRC	RMB3,149,000,000
8.	Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and various car parking spaces, No. 1 Zhongshan Avenue, Qiaokou District, Wuhan, Hubei Province the PRC	RMB3,685,000,000
TOTAL		RMB33,970,000,000

VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date
1.	Guangzhou International Finance Centre, No. 5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in 2010 and 2011 in stages, the Property, named "Guangzhou International Finance Centre" ("GZ-IFC") comprises a comprehensive mix-user development ("main building") with a 103-storey above the ground, a 4-storey underground and a 28-storey annex building erected over a site of about 27,508.00 sq.m. consisting of a shopping mall, office, serviced apartment, a luxury hotel and 1,679 below ground car parking spaces having a total gross floor area of about 457,356.68 sq.m.</p> <p>Retail</p> <p>The retail portion of the Property comprises the 6-storey shopping mall podium from Basement 1 to Level 5 of GZ-IFC with a total gross floor area of about 46,989.16 sq.m. including a staff canteen of about 2,698.93 sq.m. on Level 4.</p> <p>Office</p> <p>The office portion of the Property is provided on Levels 4 to Level 65 of GZ-IFC as well as Levels 27 and 28 of annex building having a total gross floor area of about 183,539.65 sq.m.</p> <p>Serviced Apartment</p> <p>The serviced apartment portion of the Property is currently operated as a serviced apartment under the tradename of "Ascott IFC Guangzhou" at Levels 6 to 28 of the annex building of GZ-IFC with 314 apartment units having a total gross floor area of about 51,102.26 sq.m. including a clubhouse on Level 6 of about 2,866.96 sq.m.</p> <p>Hotel</p> <p>The hotel portion of the Property is currently operated as a luxury hotel under the tradename of "Four Seasons Hotel Guangzhou" providing 344 hotel guestrooms at Levels 68 to 100 of GZ-IFC with ancillary facilities such as food and beverage, conference rooms, fitness centre, SPA, swimming pool and so on provided therein having a gross floor area of about 89,198.83 sq.m.</p> <p>Carpark & Ancillary Areas</p> <p>The Property also includes a total of 1,679 below ground car parking spaces as well as ancillary areas for refuge floor, machine and facilities' room having a gross floor area of about 71,082.79 sq.m. and 15,443.99 sq.m. respectively.</p> <p>The Property is held under granted land use rights for a term of 40 years from 23 June 2008 for commercial, tourism and entertainment uses; and a term of 50 years from 23 June 2008 for office use.</p>	<p>As at the Valuation Date, retail, office and carpark portions of the Property having the occupancy rates of 97.85%, 95.98% and 100.00% respectively were let to various tenants at an aggregate monthly rent of approximately RMB46,900,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 31 December 2025; whilst the serviced apartment and hotel portions of the Property were operated by 3rd parties under respective management agreement(s) and consultancy agreement(s).</p>	<p>RMB18,366,000,000 (RENMINBI EIGHTEEN BILLION THREE HUNDRED SIXTY SIX MILLION)</p>



PROPERTY VALUATION REPORT

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the ownership of the Property is vested in 廣州越秀城建國際金融中心有限公司 (Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd).
- Pursuant to a set copy of various Certificates of Real Estate Ownership, part of the Property, including Unit 620, Unit 720, Unit 730, Unit 820, Unit 830, Unit 920, Unit 930, Unit 1020, Unit 1030, Unit 1120, Unit 1130, Unit 1220, Unit 1230, Unit 1320, Unit 1330, Unit 1420, Unit 1430, Unit 1520, Unit 1530, Unit 1620, Unit 1630, Unit 1720, Unit 1730, Unit 1820, Unit 1830, Unit 1920, Unit 1930, Unit 2020, Unit 2030, Unit 2120, Unit 2130, Unit 2220, Unit 2230, Unit 2320, Unit 2330, Unit 2420, Unit 2430, Unit 2520, Unit 2530, Unit 2620, Unit 2630, Unit 2720, Unit 2730, Unit 2820, Unit 2830, Unit 4501, Unit 4502, Unit 4503, Unit 4504, Unit 4505, Unit 4506, Unit 4601, Unit 4602, Unit 4603, Unit 4604, Unit 4605, Unit 4606, Unit 4701, Unit 4702, Unit 4703, Unit 4704, Unit 4705, Unit 4706, Unit 5001, Unit 5002, Unit 5003, Unit 5004, Unit 5005, Unit 5006, Unit 5101, Unit 5102, Unit 5103, Unit 5104, Unit 5105, Unit 5106, Unit 5201, Unit 5202, Unit 5203, Unit 5204, Unit 5205, Unit 5206, Unit 5301, Unit 5302, Unit 5303, Unit 5304, Unit 5305, Unit 5306, Unit 5307, Unit 5401, Unit 5402, Unit 5403, Unit 5404, Unit 5405, Unit 5406, Unit 5407, Unit 5501, Unit 5502, Unit 5503, Unit 5504, Unit 5505, Unit 5506, Unit 5507, Unit 5601, Unit 5602, Unit 5603, Unit 5604, Unit 5605, Unit 5606, Unit 5607, Unit 5701, Unit 5702, Unit 5703, Unit 5704, Unit 5705, Unit 5706, Unit 5707, Unit 5801, Unit 5802, Unit 5803, Unit 5804, Unit 5805, Unit 5806, Unit 5807, Unit 6101, Unit 6201, Unit 6301, Unit 6401, Unit 6501, Unit 6801, Unit 6901, Units 7001 to 7201, Units 7401 to 8001 and Units 8201 to 10001 with an aggregate gross floor area of about 183,963.34 sq.m. are subject to mortgages.
- The serviced apartment portion of the Property is subject to and carries the benefits to an operation contract for an initial term of 10 years renewable for a further term of 10 years from the date of opening at a basic management fee of 2.0% on total revenue and an incentive management fee varied from 3.0% to 6.0% on adjusted Gross Operating Profits in each financial year.
- The hotel portion of Property is subject to and carries the benefits to a hotel operating agreement and a hotel consultancy agreement for an initial term of 15 years renewable for a further term of 10 years from the date of opening at a consultancy fee of 1.75% on total revenue, a basic management fee of 0.25% on total revenue and an incentive management fee varied from 2.0% to 8.0% on adjusted Gross Operating Profits in each financial year.
- Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Retail	46,727.28	45,721.42	RMB82,200,000
Office	183,539.65	173,963.78	RMB338,700,000
Carpark	71,082.79	71,082.79	RMB16,200,000
Total	301,349.72	290,767.99	RMB437,100,000

- Annual net property income exclusive of value-added tax as at the Valuation Date and gross floor area breakdown of the serviced apartment and hotel portions of the Property are tabulated as follows:

Use	Gross Floor Area (sq.m.)	No. of Unit/Guestroom	Annual Net Property Income (Approximately)
Serviced Apartment	51,102.26	314	RMB68,500,000
Hotel	89,198.83	344	RMB138,700,000
Total	140,301.09	658	RMB207,200,000

7. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the retail portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	5.90%
1	2	0.13%
2	3	2.40%
3	4	1.73%
4	5	8.43%
5	6	6.40%
6	7	12.76%
7	8	0.55%
8	9	3.70%
9	10	0.00%
10	Or more	58.00%
Total		100.00%

8. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the retail portion of the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2019	6.90%
In 2020	1.90%
In 2021	15.60%
In 2022	9.00%
In 2023 and afterward	66.60%
Total	100.00%

9. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the office portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	4.24%
1	2	4.87%
2	3	36.84%
3	4	17.10%
4	5	30.03%
5	6	6.06%
6	7	0.86%
Total		100.00%



PROPERTY VALUATION REPORT

10. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the office portion of the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2019	25.90%
In 2020	17.70%
In 2021	43.10%
In 2022	9.60%
In 2023 and afterward	3.70%
Total	100.00%

11. Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value(s) of the Property.
12. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
13. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	4.00% per annum
	Income Capitalization Approach	Reversionary Yield	4.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.75% per annum
Office	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.50% per annum
Serviced Apartment	Discounted Cash Flow Analysis	Average Daily Rate	RMB1,040 per room per night
	Discounted Cash Flow Analysis	Occupancy Rate	94.00% in Year-1 of Projection
	Discounted Cash Flow Analysis	Discount Rate	7.00% per annum
Hotel	Discounted Cash Flow Analysis	Average Daily Rate	RMB2,040 per room per night
	Discounted Cash Flow Analysis	Occupancy Rate	80% in Year-1 of Projection
	Discounted Cash Flow Analysis	Discount Rate	7.25% per annum
Carpark	Income Capitalization Approach	Term Yield	4.00% per annum
	Income Capitalization Approach	Reversionary Yield	4.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.75% per annum

14. Breakdown market values of the Property as at the Valuation Date are listed as follows:

Portion	Income		Market Value
	Capitalization Approach	Discounted Cash Flow Analysis	
Retail	RMB2,726,000,000	RMB2,662,000,000	RMB2,694,000,000
Office	RMB10,185,000,000	RMB10,313,000,000	RMB10,249,000,000
Serviced Apartment	Not Applicable	RMB2,274,000,000	RMB2,274,000,000
Hotel	Not Applicable	RMB2,581,000,000	RMB2,581,000,000
Carpark	RMB585,000,000	RMB551,000,000	RMB568,000,000
Total			RMB18,366,000,000

15. The estimated net yield of the Property is 3.51% which is derived from the estimated rental received for the retail, office and carpark portion as well as annual net property income from the serviced apartment and hotel portions in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.
16. We have been requested to provide the notional apportionment of land and building elements of the serviced apartment portion of the Property based on the market value of the serviced apartment portion of the Property as at the Valuation Date. Our opinion of the building element of the serviced apartment portion of the Property represents our estimate of the new replacement cost of such portion including professional fees and finance charges, from which deductions are then made to allow for physical deterioration and all relevant forms of obsolescence and optimization. The land element of the serviced apartment portion of the Property is arrived at by deducting the building element of the serviced apartment portion of the Property from its market value. We are of the opinion that the notional apportionment the land and building elements of the serviced apartment portion of the Property based on the market value as at the Valuation Date are RMB1,504,000,000 (RENMINBI ONE BILLION FIVE HUNDRED FOUR MILLION) AND RMB770,000,000 (RENMINBI SEVEN HUNDRED SEVENTY MILLION) respectively. Kindly note that the said apportioned values should not be used other than financial reporting purpose.
17. We have been requested to provide the notional apportionment of land and building elements of the hotel portion of the Property based on the market value of the hotel portion of the Property as at the Valuation Date. Our opinion of the building element of the hotel portion of the Property represents our estimate of the new replacement cost of such portion including professional fees and finance charges, from which deductions are then made to allow for physical deterioration and all relevant forms of obsolescence and optimization. The land element of the hotel portion of the Property is arrived at by deducting the building element of the hotel portion of the Property from its market value. We are of the opinion that the notional apportionment the land and building elements of the hotel portion of the Property based on the market value as at the Valuation Date are RMB1,011,000,000 (RENMINBI ONE BILLION ELEVEN MILLION) AND RMB1,570,000,000 (RENMINBI ONE BILLION FIVE HUNDRED SEVENTY MILLION) respectively. Kindly note that the said apportioned values should not be used other than financial reporting purpose.



PROPERTY VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date																						
2.	Various Units in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>The Property comprises large majority portion in White Horse Building which is a 10-storey (including a lower ground floor mainly for management office and storage uses and a basement carpark) commercial wholesale centre completed in or about 1990 with two extensions furnished in between 1995 to 1997 and 1998 to 2000 respectively.</p> <p>The Property has a total gross floor area of approximately 50,199.35 sq.m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Lower Ground (Storage)</td> <td>1,121.68</td> </tr> <tr> <td>Level 1 (Commercial)</td> <td>7,667.04</td> </tr> <tr> <td>Level 2 (Commercial)</td> <td>7,199.80</td> </tr> <tr> <td>Level 3 (Commercial)</td> <td>7,684.91</td> </tr> <tr> <td>Level 4 (Commercial)</td> <td>7,695.56</td> </tr> <tr> <td>Level 5 (Commercial)</td> <td>7,466.39</td> </tr> <tr> <td>Level 6 (Commercial)</td> <td>7,443.90</td> </tr> <tr> <td>Level 7 (Commercial)</td> <td>2,003.54</td> </tr> <tr> <td>Level 8 (Commercial)</td> <td>1,916.53</td> </tr> <tr> <td>Total</td> <td>50,199.35</td> </tr> </tbody> </table> <p>The Property is held under granted land use rights for a term of 40 years from 7 June 2005 for commercial use on Level 1 to Level 3 with aggregate gross floor area of about 22,551.75 sq.m. and portion of Level 4 with aggregate gross floor area of about 7,164.20 sq.m.; and a term of 50 years from 23rd June 2008 for office and storage use on Lower Ground Floor with aggregate gross floor area of about 1,121.68 sq.m., portion of Level 4 with aggregate gross floor area of about 531.36 sq.m., and Level 5 to Level 8 with aggregate gross floor area of about 18,830.36 sq.m.</p>	Level (Use)	Approximate Gross Floor Area (sq.m.)	Lower Ground (Storage)	1,121.68	Level 1 (Commercial)	7,667.04	Level 2 (Commercial)	7,199.80	Level 3 (Commercial)	7,684.91	Level 4 (Commercial)	7,695.56	Level 5 (Commercial)	7,466.39	Level 6 (Commercial)	7,443.90	Level 7 (Commercial)	2,003.54	Level 8 (Commercial)	1,916.53	Total	50,199.35	As at the Valuation Date, the Property having an occupancy rate of 100.00% was let to various tenants at an aggregate monthly rent of approximately RMB24,600,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 31 December 2022.	RMB5,061,000,000 (RENMINBI FIVE BILLION SIXTY ONE MILLION)
Level (Use)	Approximate Gross Floor Area (sq.m.)																									
Lower Ground (Storage)	1,121.68																									
Level 1 (Commercial)	7,667.04																									
Level 2 (Commercial)	7,199.80																									
Level 3 (Commercial)	7,684.91																									
Level 4 (Commercial)	7,695.56																									
Level 5 (Commercial)	7,466.39																									
Level 6 (Commercial)	7,443.90																									
Level 7 (Commercial)	2,003.54																									
Level 8 (Commercial)	1,916.53																									
Total	50,199.35																									

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the ownership of the Property is vested in 柏達投資有限公司 (Partat Investment Limited).

2. Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Commercial	50,128.90	50,128.90	RMB358,500,000
Total	50,128.90	50,128.90	RMB358,500,000

3. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	2.94%
1	2	18.72%
2	3	6.82%
3	4	25.87%
4	5	45.65%
Total		100.00%

4. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2019	48.90%
In 2020	16.10%
In 2021	4.00%
In 2022	31.00%
In 2023 and afterward	0.00%
Total	100.00%

5. Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
6. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
7. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalization Approach	Term Yield	7.00% per annum
	Income Capitalization Approach	Reversionary Yield	7.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.75% per annum



PROPERTY VALUATION REPORT

8. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow analysis as follows:

Income Capitalization Approach	RMB5,079,000,000
Discounted Cash Flow Analysis	RMB5,043,000,000

Market Value (Equal Weighting of the Above)	RMB5,061,000,000
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9. The estimated net yield of the Property is 7.08% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date								
3.	Various Units in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in or about 2003, the Property comprises large majority portion in Fortune Plaza which consists of a 30-storey office tower ("East Tower") and a 20-storey office tower ("West Tower") erected over a 6-storey retail commercial podium and a 2-storey basement carpark.</p> <p>The Property has a total gross floor area of approximately 41,355.20 sq.m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>3,853.07</td> </tr> <tr> <td>Office</td> <td>37,502.13</td> </tr> <tr> <td>Total</td> <td>41,355.20</td> </tr> </tbody> </table>	Level (Use)	Approximate Gross Floor Area (sq.m.)	Commercial	3,853.07	Office	37,502.13	Total	41,355.20	<p>As at the Valuation Date, majority of the Property having an occupancy rate of 98.69% was let to various tenants at an aggregate monthly rent of approximately RMB6,200,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 31 December 2023; whilst the remaining portion of the Property was vacant.</p>	RMB1,197,000,000 (RENMINBI ONE BILLION ONE HUNDRED NINETY SEVEN MILLION)
Level (Use)	Approximate Gross Floor Area (sq.m.)											
Commercial	3,853.07											
Office	37,502.13											
Total	41,355.20											
		<p>The Property is held under granted land use rights for a term of 40 years from 26 November 2002 for commercial use; and a term of 50 years for office use.</p>										

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the ownership of large majority of the Property having an aggregate gross floor area of about 40,356.19 sq.m. is vested in 金峰有限公司 (Moon King Limited).
- Pursuant to a set copy of Certificate of Real Estate Ownership, the ownership of part of the Property (i.e. Unit 1701 of East Tower) having a gross floor area of about 999.01 sq.m. is vested in 廣州越秀城建國際金融中心有限公司 (Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd).



PROPERTY VALUATION REPORT

3. Yuexi REIT holds the following units in Fortune Plaza as of the Valuation Date.

Tower	Use	Level/Unit
Podium	Commercial	Unit 109, Level 2, Level 3, Level 4 and Level 5
East Tower	Office	Unit 801, Unit 802, Unit 803, Unit 805, Unit 806, Unit 808, Unit 903, Unit 905, Unit 906, Unit 908, Unit 1101, Unit 1102, Unit 1108, Unit 1201, Unit 1202, Unit 1203, Unit 1205, Unit 1206, Unit 1208, Unit 1301, Unit 1302, Unit 1303, Unit 1305, Unit 1306, Unit 1308, Unit 1401, Unit 1402, Unit 1403, Unit 1405, Unit 1406, Unit 1408, Unit 1701, Unit 1901, Unit 1902, Unit 1903, Unit 1905, Unit 1906, Unit 1908, Units 2501 & 2601, Unit 2705, Unit 2801, Unit 3401 and Units 3501 & 3601
East Tower	Commercial	Level 37
West Tower	Office	Level 8, Level 9, Level 10, Unit 1101, Unit 1102, Unit 1103, Unit 1105, Unit 1106, Unit 1108, Unit 1201, Unit 1202, Unit 1203, Unit 1205, Unit 1206, Unit 1208, Unit 1301, Unit 1302, Unit 1303, Unit 1305, Unit 1306, Unit 1308, Unit 1401, Unit 1402, Unit 1403, Level 15, Level 16, Level 17, Level 18, Unit 1902, Unit 1903, Unit 1905, Unit 1906, Units 2401 & 2501 and Level 26
West Tower	Commercial	Level 27

4. Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Retail	3,853.07	3,853.07	RMB14,800,000
Office	37,502.14	36,648.66	RMB57,500,000
Total	41,355.21	40,501.73	RMB72,300,000

5. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	2.23%
1	2	23.30%
2	3	19.44%
3	4	5.68%
4	5	35.66%
5	6	1.28%
6	7	0.00%
7	8	1.94%
8	9	0.00%
9	Or more	10.47%
Total		100.00%

6. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2019	25.30%
In 2020	25.00%
In 2021	8.00%
In 2022	36.30%
In 2023 and afterward	5.40%
Total	100.00%

7. Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
8. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
9. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	6.75% per annum
	Income Capitalization Approach	Reversionary Yield	7.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum
Office	Income Capitalization Approach	Term Yield	6.25% per annum
	Income Capitalization Approach	Reversionary Yield	6.75% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum

10. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB1,194,000,000
Discounted Cash Flow Analysis	RMB1,199,000,000
Market Value (Equal Weighting of the Above)	RMB1,197,000,000

11. The estimated net yield of the Property is 6.04% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.
12. We are of the opinion that the market value of the Property under the ownership of Guangzhou Yue Xiu City Construction Finance Centre Co., Ltd (i.e. Unit 1701 of East Tower) as at the Valuation Date is RMB28,600,000 (RENMINBI TWENTY EIGHT MILLION SIX HUNDRED THOUSAND).



PROPERTY VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date								
4.	Various Units in City Development Plaza, Nos. 185, 187 and 189 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in or about 1997, the Property comprises large majority portion in City Development Plaza which consists of a 28-storey office commercial building erected over a 2-storey basement carpark.</p> <p>The Property has a total gross floor area of approximately 42,397.36 sq.m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>11,757.54</td> </tr> <tr> <td>Office</td> <td>30,639.82</td> </tr> <tr> <td>Total</td> <td>42,397.36</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq.m.)	Commercial	11,757.54	Office	30,639.82	Total	42,397.36	<p>As at the Valuation Date, majority of the Property having an occupancy rate of 96.06% was let to various tenants at an aggregate monthly rent of approximately RMB5,100,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 30 April 2023; whilst the remaining portion of the Property was vacant.</p>	<p>RMB975,000,000 (RENMINBI NINE HUNDRED SEVENTY FIVE MILLION)</p>
Use	Approximate Gross Floor Area (sq.m.)											
Commercial	11,757.54											
Office	30,639.82											
Total	42,397.36											

The Property is held under granted land use rights for a term of 40 years from 27 January 1997 for commercial use; and a term of 50 years from 27 January 1997 for office use.

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the ownership of the Property is vested in 福達地產投資有限公司 (Full Estate Investment Limited).
- Yuexiu REIT holds the following units in City Development Plaza as of the Valuation Date.

Use	Level/Unit
Commercial	Unit 101, Unit 102, Unit 103, Unit 201, Unit 202
Commercial (Not a Retail Unit Nor for Permanent Lease)	Portion of Level 1 (Atrium)
Commercial	Level 3
Office	Unit 6A, Unit 6C, Unit 6D, Unit 6E, Unit 6F, Unit 6G,, Unit 6I, Unit 6J, Unit 7A, Unit 7H, Unit 7I, Unit 7J, Unit 8C, Unit 8D, Unit 8E, Unit 8F, Unit 8G, Unit 8H, Unit 9D, Unit 9E, Unit 9F, Unit 9G, Unit 9H, Unit 10A, Unit 10C, Unit 10D, Unit 10E, Unit 10F, Unit 10G, Unit 10H, Unit 10I, Unit 11A, Unit 11B, Unit 11C, Unit 11D, Unit 11E, Unit 11F, Unit 11G, Unit 11H, Unit 11I, Unit 11J, Level 16, Unit 17A, Unit 17B, Unit 17C, Unit 17D, Unit 17E, Unit 17F, Unit 17G, Unit 17I, Unit 17J, Unit 18A, Unit 18B, Unit 18C, Unit 18D, Unit 18E, Unit 18F, Unit 18G, Unit 18H, Unit 18I, Unit 18J, Unit 19A, Unit 19B, Unit 19C, Unit 19D, Unit 19E, Unit 19F, Unit 19G, Unit 19H, Unit 19I, Unit 19J, Unit 20A, Unit 20B, Unit 20C, Unit 20D, Unit 20E, Unit 20F, Unit 20G, Unit 20H, Unit 20J, Unit 21A, Unit 21B, Unit 21C, Unit 21D, Unit 21E, Unit 21F, Unit 21G, Unit 21H, Unit 21I, Unit 22A, Unit 22B, Unit 22C, Unit 22D, Unit 22E, Unit 22F, Unit 22G, Unit 22H, Unit 22I, Unit 22J, Unit 23A, Unit 23B, Unit 23C, Unit 23D, Unit 23E, Unit 23F, Unit 23G, Unit 23H, Unit 23I, Unit 23J, Unit 24A, Unit 24B, Unit 24C, Unit 24D, Unit 24E, Unit 24F, Unit 24G, Unit 24H, Unit 24I, Unit 24J, Unit 25A, Unit 25B, Unit 25C, Unit 25D, Unit 25E, Unit 25F, Unit 25G, Unit 25H, Unit 25I, Unit 25J, Unit 26A, Unit 26B, Unit 26C, Unit 26D, Unit 26E, Unit 26F, Unit 26G, Unit 26H, Unit 26I, Unit 26J, Unit 27A, Unit 27B, Unit 27C, Unit 27D, Unit 27E, Unit 27F, Unit 27G, Unit 27H, Unit 27I, Unit 27J, Unit 28A, Unit 28B, Unit 28C, Unit 28D, Unit 28E, Unit 28F, Unit 28G, Unit 28H, Unit 28I and Unit 28J

- Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Commercial	11,757.54	10,210.98	RMB17,300,000
Office	30,639.82	29,278.92	RMB43,600,000
Total	42,397.36	39,489.90	RMB60,900,000

- Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	0.88%
1	2	7.05%
2	3	29.68%
3	4	14.61%
4	5	42.44%
5	Or more	5.34%
Total		100.00%



PROPERTY VALUATION REPORT

5. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2019	11.80%
In 2020	27.30%
In 2021	39.70%
In 2022	18.30%
In 2023 and afterward	2.90%
Total	100.00%

6. Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
7. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
8. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalization Approach	Term Yield	7.25% per annum
	Income Capitalization Approach	Reversionary Yield	7.75% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum
Office	Income Capitalization Approach	Term Yield	6.75% per annum
	Income Capitalization Approach	Reversionary Yield	7.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum

9. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB987,000,000
Discounted Cash Flow Analysis	RMB962,000,000
Market Value (Equal Weighting of the Above)	RMB975,000,000

10. The estimated net yield of the Property is 6.25% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date
5.	No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	Completed in or about 2003, the Property comprises the commercial retail podium named "Victory Plaza" from portion of Basement 1 to Level 6. The Property has a total gross floor area of approximately 27,698.14 sq.m. with breakdown as follows:	As at the Valuation Date, the Property having an occupancy rate of 99.42% was let to various tenants at an aggregate monthly rent of approximately RMB5,500,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 31 October 2025; whilst the remaining portion of the Property was vacant.	RMB936,000,000 (RENMINBI NINE HUNDRED THIRTY SIX MILLION)
		Level (Use)	Approximate Gross Floor Area (sq.m.)	
		Basement 1 (Part of)	1,809.21	
		Level 1 (101)	473.71	
		Level 1 (102)	1,553.52	
		Level 1 (Others)	1,006.22	
		Level 2	3,968.92	
		Level 3	4,756.74	
		Level 4	4,756.74	
		Level 5	4,769.85	
		Level 6	4,603.23	
		Total	27,698.14	

The Property is held under granted land use rights for a term of 40 years from 8 March 2004 for commercial use.

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the ownership of the Property is vested in 京澳有限公司 (Keen Ocean Limited).
- Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Commercial	27,262.27	27,104.27	RMB48,000,000
Total	27,262.27	27,204.27	RMB48,000,000



PROPERTY VALUATION REPORT

3. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	19.84%
1	2	20.23%
2	3	14.02%
3	4	0.76%
4	5	38.28%
5	6	2.19%
6	7	4.68%
Total		100.00%

4. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2019	17.00%
In 2020	20.20%
In 2021	14.00%
In 2022	0.80%
In 2023 and afterward	48.00%
Total	100.00%

5. Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
6. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
7. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalization Approach	Term Yield	6.75% per annum
	Income Capitalization Approach	Reversionary Yield	7.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum

8. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB952,000,000
Discounted Cash Flow Analysis	RMB920,000,000
Market Value (Equal Weighting of the Above)	RMB936,000,000

9. The estimated net yield of the Property is 5.13% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date										
6.	Tower 2 and 315 car parking spaces (including 80 mechanical car parking spaces and 23 public car parking spaces) at Basement Levels 1 and 2, Hangzhou Victory Business Center, No. 9 Jiangxiu Street, Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province, the PRC	<p>Completed in 2017, the Property comprises the Tower 2 of Hangzhou Victory Business Center which consists of a 18-storey office building (including retail units on both Levels 1 and 2) over-mounting a 2-storey Basement car parks.</p> <p>The Property has a total gross floor area of approximately 22,484.83 sq.m. together with 315 car parking spaces (including 80 mechanical car parking spaces and 23 public car parking spaces) at Basement Levels 1 and 2 with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>2,334.24</td> </tr> <tr> <td>Office</td> <td>20,131.62</td> </tr> <tr> <td>Store</td> <td>18.97</td> </tr> <tr> <td>Total</td> <td>22,484.83</td> </tr> </tbody> </table>	Level (Use)	Approximate Gross Floor Area (sq.m.)	Retail	2,334.24	Office	20,131.62	Store	18.97	Total	22,484.83	As at the Valuation Date, the Property having an occupancy rate of 83.37% was let to various tenants at an aggregate monthly rent of approximately RMB2,000,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 30 June 2024; whilst the remaining portion of the Property was vacant.	RMB601,000,000 (RENMINBI SIX HUNDRED ONE MILLION) (See Note 11)
Level (Use)	Approximate Gross Floor Area (sq.m.)													
Retail	2,334.24													
Office	20,131.62													
Store	18.97													
Total	22,484.83													

As advised, a mechanical car parking system is installed in 48 car parking spaces at Basement Level 1 of the Property. The said mechanical car parking system can provide a total of 80 mechanical car parking spaces.

The land use rights of the Property have been granted for a term due to expire on 3 July 2054 for commercial services use.

Note:

- Pursuant to the State-owned Land Use Rights Certificate No. Hang Jiang Guo Yong (2014) Di 100062 dated 2 August 2014, the land use rights of a parcel of land with a site area of approximately 12,132.00 sq.m. have been granted to 杭州越輝房地產開發有限公司 (Hangzhou Yuehui Real Estate Development Co., Ltd. ("Project Company")) for a term due to expire on 3 July 2054 for commercial services use.



PROPERTY VALUATION REPORT

2. Pursuant to the following Realty Title Certificates, the land use rights and the ownership of the Property with a total gross floor area of approximately 22,484.83 sq.m. are vested in the Project Company for a term due to expire on 3 July 2054 for commercial services use. Details of the certificates are as follows:

Certificate No.	Address	Gross Floor Area (sq.m.)	Usage
1	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159197 Shop 1 on Level 1 of Tower 2	142.58	Retail
2	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159196 Shop 2 on Level 1 of Tower 2	149.92	Retail
3	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159198 Shop 3 on Level 1 of Tower 2	111.99	Retail
4	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159200 Shop 4 on Level 1 of Tower 2	108.68	Retail
5	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159199 Shop 5 on Level 1 of Tower 2	108.69	Retail
6	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159201 Shop 6 on Level 1 of Tower 2	93.57	Retail
7	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0263273 Unit 201 of Tower 2	18.97	Store
8	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159132 Shop 202 of Tower 2	660.16	Restaurant
9	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159131 Shop 203 of Tower 2	958.65	Restaurant
10	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159179 Levels 3 to 18 of Tower 2	20,131.62	Office
Total		22,484.83	

3. Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Retail	2,353.21	2,334.24	RMB2,700,000
Office	20,131.62	17,328.29	RMB23,900,000
Total	22,484.83	19,662.53	RMB26,600,000

4. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	1.82%
1	2	19.52%
2	3	30.92%
3	4	22.11%
4	5	5.61%
5	Or more	20.02%
Total		100.00%

5. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2019	3.50%
In 2020	48.40%
In 2021	23.70%
In 2022	0.00%
In 2023 and afterward	24.40%
Total	100.00%

6. Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
7. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
8. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	4.5% per annum
	Income Capitalization Approach	Reversionary Yield	5.0% per annum
	Discounted Cash Flow Analysis	Discount Rate	7.0% per annum
Office	Income Capitalization Approach	Term Yield	4.5% per annum
	Income Capitalization Approach	Reversionary Yield	5.0% per annum
	Discounted Cash Flow Analysis	Discount Rate	7.0% per annum
Carpark	Income Capitalization Approach	Term Yield	4.5% per annum
	Income Capitalization Approach	Reversionary Yield	5.0% per annum
	Discounted Cash Flow Analysis	Discount Rate	7.0% per annum

9. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB600,000,000
Discounted Cash Flow Analysis	RMB601,000,000
Market Value (Equal Weighting of the Above)	RMB601,000,000

10. The estimated net yield of the Property is 4.43% which is derived from the estimated rental received in Year-2019 derived from the office and retail portions of the Property excluding the valued-added tax divided by the market value of as at the Valuation Date.
11. Pursuant to the Realty Title Certificate No. Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159179, the Project Company is required to hold Levels 3 to 18 of Tower 2 of the Property and is not permitted for sale. As the shareholders of the Project Company can transfer Levels 3 to 18 through the sale of all equity interest in the Project Company, we are thus instructed by the Manager to value the Property on the hypothetical assumption that it is freely transferrable in the market.



PROPERTY VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date																
7.	Yuexiu Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, the PRC	<p>Completed in 2010, the Property, namely "Yuexiu Tower", is a 25-storey (including refuge floor on 14th floor) commercial building with a 2-level basement carpark. Portion of Basement 1 as well as 1st and 2nd floors of the Property is devoted to retail use; whilst the upper floors (except 14th Floor) are designed for office use.</p> <p>The Property has a site area of about 10,641.00 sq.m. and a total gross floor area of about 62,139.35 sq.m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>6,256.70</td> </tr> <tr> <td>Office</td> <td>39,769.63</td> </tr> <tr> <td>Carpark</td> <td>13,502.58</td> </tr> <tr> <td>Bicycle Carpark</td> <td>1,296.18</td> </tr> <tr> <td>Management Offices</td> <td>276.53</td> </tr> <tr> <td>Refuge Floor</td> <td>1,037.73</td> </tr> <tr> <td>Total</td> <td>62,139.35</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq.m.)	Retail	6,256.70	Office	39,769.63	Carpark	13,502.58	Bicycle Carpark	1,296.18	Management Offices	276.53	Refuge Floor	1,037.73	Total	62,139.35	<p>As at the Valuation Date, majority of the Property having an occupancy rate of 97.26% was let to various tenants at an aggregate monthly rent of approximately RMB11,600,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 31 December 2023; whilst the remaining portion of the Property was vacant.</p>	<p>RMB3,149,000,000 (RENMINBI THREE BILLION ONE HUNDRED FORTY NINE MILLION)</p>
Use	Approximate Gross Floor Area (sq.m.)																			
Retail	6,256.70																			
Office	39,769.63																			
Carpark	13,502.58																			
Bicycle Carpark	1,296.18																			
Management Offices	276.53																			
Refuge Floor	1,037.73																			
Total	62,139.35																			
<p><i>*Note:</i> The gross floor areas of the Property for retail, office and carpark uses are quoted from Shanghai Certificate of Real Estate Ownership of the Property; whilst the remainder is quoted from Registers of Real Estate of Shanghai Municipality of the Property.</p> <p>The Property provides 273 private car parking spaces on basement and 27 above-ground private car parking spaces.</p> <p>The Property is held under granted land use rights from 7 January 2005 to 6 January 2055 for commercial and office uses.</p>																				
<p>Note:</p> <p>1. Pursuant to a copy of Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Pu Zi (2011) No. 060397) registered on 29 September 2011, the ownership of the Property is vested in 上海宏嘉房地產開發有限公司 (Shanghai Hong Jia Real Estate Development Co., Ltd).</p>																				

2. Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Retail	6,256.70	6,256.70	RMB11,800,000
Office	39,769.63	37,807.50	RMB108,700,000
Carpark	13,502.58	13,502.58	RMB1,800,000
Total	59,528.91	57,566.78	RMB122,300,000

3. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the retail and office portions of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	1.38%
1	2	45.51%
2	3	18.28%
3	4	17.42%
4	5	17.41%
5	Or more	0.00%
Total		100.00%

4. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the office and retail portions of the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2019	45.40%
In 2020	19.10%
In 2021	17.70%
In 2022	4.80%
In 2023 and afterward	Or more 13.00%
Total	100.00%

5. Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
6. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.



PROPERTY VALUATION REPORT

7. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum
Office	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum
Carpark	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum

8. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB3,172,000,000
Discounted Cash Flow Analysis	RMB3,125,000,000
<hr/>	
Market Value (Equal Weighting of the Above)	RMB3,149,000,000

9. The estimated net yield of the Property is 3.88% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date														
8.	Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and various car parking spaces, No. 1 Zhongshan Avenue, Qiaokou District, Wuhan, Hubei Province, the PRC	<p>The Property is a commercial development comprising a 68-storey office tower, namely Wuhan Yuexiu Fortune Centre; a 5-storey shopping arcade (inclusive of a storey of Basement) known as Starry Victoria Shopping Centre; 1,134 car parks for office and retail portions ("Commercial Carpark") together with 375 car parks for residential portion ("Residential Carpark"). The Property was completed in between 2015 to 2016.</p> <p>The Property has a total gross floor area of about 248,194.23 sq.m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>43,546.61</td> </tr> <tr> <td>Office</td> <td>129,446.74</td> </tr> <tr> <td>Commercial Carpark</td> <td>47,182.94</td> </tr> <tr> <td>Residential Carpark</td> <td>15,602.82</td> </tr> <tr> <td>Ancillary facilities</td> <td>12,415.12</td> </tr> <tr> <td>Total</td> <td>248,194.23</td> </tr> </tbody> </table>	Level (Use)	Approximate Gross Floor Area (sq.m.)	Retail	43,546.61	Office	129,446.74	Commercial Carpark	47,182.94	Residential Carpark	15,602.82	Ancillary facilities	12,415.12	Total	248,194.23	<p>As at the Valuation Date, portion of the retail of the Property having an occupancy rate of 98.04% was subject to various tenancies with the latest one due to expire on 9 September 2035 at a total monthly rent of approximately RMB2,000,000 (exclusive of value-added tax, management fees and utility charges); whilst the remaining portion of the retail portion was vacant.</p> <p>Portion of the office tower of the Property having an occupancy rate of 67.82% was subject to various tenancies with the latest one due to expire on 30 September 2023 at a total monthly rental of approximately RMB8,100,000 (exclusive of value added tax, management fees and utility charges); whilst the remaining portion of the office tower was vacant.</p> <p>The commercial and residential car parking spaces were subject to two master agreements expiring on 30 September 2021 at a total monthly rent of approximately RMB1,100,000.</p>	RMB3,685,000,000 (RENMINBI THREE BILLION SIX HUNDRED EIGHTY FIVE MILLION)
Level (Use)	Approximate Gross Floor Area (sq.m.)																	
Retail	43,546.61																	
Office	129,446.74																	
Commercial Carpark	47,182.94																	
Residential Carpark	15,602.82																	
Ancillary facilities	12,415.12																	
Total	248,194.23																	
		<p>The Property is held under granted land use rights from 27th May 2011 to 26th May 2051 for commercial, and financial and commercial services uses.</p>																

Note:

- Pursuant to a State-owned Land Use Rights Certificate No.: Wu Guo Yong (2011) Di No. 380 dated 15 August 2011, the land use rights of the Property is vested in 武漢越秀地產開發有限公司 (Wuhan Yuexiu Property Development Limited) ("Wuhan Yuexiu").
- Pursuant to 455 Real Estate Title Certificates dated between 21 November 2017 and 8 December 2017, the ownership of the aboveground portion of the Property with an aggregate gross floor area of 169,524.88 sq.m. is vested in Wuhan Yuexiu.



PROPERTY VALUATION REPORT

3. Annual rental income exclusive of value-added tax of the retail and office portions of the Property as at the Valuation Date are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Retail	27,474.48	26,939.02	RMB25,200,000
Office	129,446.74	87,787.66	RMB89,200,000
Carparks	92,785.76	92,785.76	RMB14,300,000
Total	249,706.98	207,512.44	RMB128,700,000

4. Based on the tenancy information provided by Wuhan Yuexiu, our analysis of the tenancy duration profile for the retail portion of the Property as at the Valuation Date is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	0.32%
1	2	1.69%
2	3	13.81%
3	4	6.05%
4	5	31.54%
5	6	8.15%
6	7	0.00%
7	8	17.90%
8	9	2.22%
9	10	0.00%
10	Or more	18.32%
Total		100.00%

5. Based on the tenancy information provided by Wuhan Yuexiu, our analysis of the tenancy expiry profile for the retail portion of the Property as at the Valuation Date is set out below:

Year of Expiry	Proportion by Floor Area
In 2019	5.60%
In 2020	15.20%
In 2021	13.60%
In 2022	14.40%
In 2023 and afterward	51.20%
Total	100.00%

6. Based on the tenancy information provided by Wuhan Yuexiu, our analysis of the tenancy duration profile for the office portion of the Property as at the Valuation Date is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)		Proportion by Floor Area
0	1		4.05%
1	2		2.48%
2	3		28.46%
3	4		11.61%
4	5		35.92%
5	6		11.98%
6	Or more		5.50%
Total			100.00%

7. Based on the tenancy information provided by Wuhan Yuexiu, our analysis of the tenancy expiry profile for the office portion of the Property as at the Valuation Date is set out below:

Year of Expiry	Proportion by Floor Area
In 2019	8.10%
In 2020	20.20%
In 2021	25.80%
In 2022	26.40%
In 2023 and afterward	19.50%
Total	100.00%

8. In the course of our valuation of the Property, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	5.00% per annum
	Income Capitalization Approach	Reversionary Yield	5.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.00% per annum
Office	Income Capitalization Approach	Term Yield	4.50% per annum
	Income Capitalization Approach	Reversionary Yield	5.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	7.50% per annum
Commercial Carpark Spaces	Income Capitalization Approach	Term Yield	5.50% per annum
	Income Capitalization Approach	Reversionary Yield	6.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.00% per annum
Residential Carpark	Income Capitalization Approach	Term Yield	5.50% per annum
	Income Capitalization Approach	Reversionary Yield	6.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.00% per annum



PROPERTY VALUATION REPORT

9. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB3,776,000,000
Discounted Cash Flow Analysis	RMB3,592,000,000

Market Value (Equal Weighting of the Above)	RMB3,685,000,000
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10. As requested by the Company, we are of the opinion that, for reference only, the breakdown market value of the Property as at the Valuation Date was as follows:

Retail and Office Portions	: RMB3,397,000,000
Commercial Carpark	: RMB201,000,000
Residential Carpark	: RMB87,000,000

11. The estimated net yield of the Property is 3.49% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Unitholders of Yuexiu Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

What we have audited

The consolidated financial statements of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries (the "Group") set out on pages 168 to 234, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the distribution statement for the year then ended;
- the consolidated statement of net assets attributable to Unitholders and changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter identified in our audit is valuation of investment properties and the building portions of hotel and serviced apartments included in property, plant and equipment.

Key Audit Matter

Valuation of Investment properties and the building portions of hotel and serviced apartments included in Property, plant and equipment

Refer to notes 2(e)(i), 2(f), 4(a), 13 and 15 to the consolidated financial statements.

The Group's investment properties amounting to RMB29,115,000,000 and the building portions of hotel and serviced apartments included in property, plant and equipment (together the "Subject Properties") amounting to RMB2,340,000,000 were carried at fair value at 31 December 2018. Changes in the fair values of the investment properties and hotel and serviced apartments during the year ended 31 December 2018 were recorded in profit or loss and other comprehensive loss of RMB905,159,000 and RMB49,183,000 respectively.

The valuations were carried out by an independent professional valuer (the "Valuer") engaged by Yuexiu REIT Asset Management Limited, the Manager of Yuexiu REIT (the "Manager").

In determining the valuation of the Group's investment properties, the Valuer adopted the income capitalisation method and discounted cash flow analysis primarily to arrive at the fair value, with reference to recent comparable transactions and offerings under the direct comparison method, if available and applicable. Key valuation assumptions included estimated open market rents, capitalisation rates, stabilised occupancy rates as well as discount rates.

In determining the valuation of the building portions of the Group's hotel and serviced apartments, the Valuer adopted the depreciated replacement cost approach with key assumptions of estimated building costs and depreciation of the building.

We focused on this area because the valuations of the Subject Properties involved significant judgements and estimates, and the carrying amounts of the Subject Properties and the changes in fair value were material to the Group's consolidated financial statements.

How our audit addressed the Key Audit Matter

Experience of the Valuer and relevance of their work

We read the Valuer's report prepared in accordance with HKIS Valuation Standards (2017 Edition) and the relevant charters in "Code on Real Estate Investment Trusts (August 2014 Fifth Edition)", and assessed the Valuer's qualifications and experience in the markets where the Subject Properties are located. We also assessed the Valuer's independence and objectivity by reading their terms of engagement with the Group and considering their fee arrangements and any other services provided to the Group.

Data provided by the Manager to the Valuer

We performed testing on a sample basis on the input data used by the Valuer in the valuations of the Subject Properties. These data included key terms of lease agreements, operating expenditure details, rental income schedules, gross floor area information and the year of completion which we agreed to the appropriate supporting documentation.

Methodologies and key assumptions used by the Valuer

We involved our in-house valuation experts in discussing and assessing the valuation methodologies and key assumptions with the Valuer and the Manager.

We considered the appropriateness and consistency of the use of the valuation methodologies based on our industry knowledge.

We assessed the reasonableness of the key assumptions applied in the valuations of the Subject Properties by comparing them to published industry reports, comparable market transactions, and those used in the prior period, and with reference to the age, nature and location of each property.

Overall, the valuation methodologies were consistently applied and the key assumptions used in the valuations were supportable in light of available evidence and the current market environment.



OTHER INFORMATION

The Manager is responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts issued by the Hong Kong Securities and Futures Commission (the "REIT Code").

Those charged with governance are responsible for overseeing the Group's financial reporting process.



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to the Unitholders, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



羅兵咸永道

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON MATTERS UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Tsang Nga Kwan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 February 2019



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	5	2,031,876	1,853,899
Operating expenses, net	6	(921,657)	(973,584)
Fair value gain on investment properties	15	905,159	885,792
Fair value gain/(loss) on derivative financial instruments	20	56,638	(258,008)
Gain on disposal of subsidiaries	21	302,779	—
Finance income	9	58,253	573,527
Finance expenses	10	(1,008,160)	(366,987)
Profit before income tax and transactions with unitholders		1,424,888	1,714,639
Income tax expense	11	(458,369)	(277,544)
Profit after income tax before transactions with unitholders		966,519	1,437,095
Transactions with unitholders	29	(876,720)	(1,511,377)
Income/(loss) after income tax and transactions with unitholders		89,799	(74,282)
Other comprehensive (loss)/income for the year:			
<u>Items that will not be reclassified to profit or loss</u>			
Change in fair value of property, plant and equipment			
– Gross		(49,183)	114,231
– Tax		13,776	(31,993)
Other comprehensive (loss)/income for the year, net of tax		(35,407)	82,238
Total comprehensive income for the year		54,392	7,956

	Attributable to				Total RMB'000
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note 29) RMB'000	Unitholders after transactions with unitholders RMB'000	Non- controlling interests RMB'000	
Profit/(loss) for the year ended 31 December 2017	1,429,996	(1,511,377)	(81,381)	7,099	(74,282)
Other comprehensive income: <u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	81,381	—	81,381	857	82,238
Total comprehensive income for the year ended 31 December 2017	1,511,377	(1,511,377)	—	7,956	7,956
Profit/(loss) for the year ended 31 December 2018	911,758	(876,720)	35,038	54,761	89,799
Other comprehensive income: <u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	(35,038)	—	(35,038)	(369)	(35,407)
Total comprehensive income for the year ended 31 December 2018	876,720	(876,720)	—	54,392	54,392

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (the "Trust Deed"), Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the Distribution Statement on page 172.
- (ii) Earnings per unit, based upon profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, are presented in Note 12.

The notes on pages 176 to 234 are an integral part of these consolidated financial statements.



CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	13	2,340,934	2,451,081
Land use rights	14	1,379,969	1,429,254
Investment properties	15	29,115,000	28,706,000
Deferred assets	17	219,847	224,343
Goodwill	18	859,868	845,325
		33,915,618	33,656,003
Current assets			
Inventories		4,337	3,127
Trade receivables	22	26,785	19,746
Amounts due from related parties	32	238,915	266,357
Prepayments, deposits and other receivables	23	147,852	59,885
Tax recoverable		8,526	—
Support arrangement asset	19	11,645	—
Short-term bank deposits	24	22,633	26,702
Cash and cash equivalents	24	1,458,755	1,303,904
		1,919,448	1,679,721
Total assets		35,835,066	35,335,724
Current liabilities			
Trade payables	26	17,689	17,611
Rental deposits, current portion	27	172,221	151,145
Receipts in advance	27	85,625	76,743
Accruals and other payables	27	998,607	1,158,000
Amounts due to related parties	32	103,227	887,404
Derivative financial instruments	20	113,745	46,457
Borrowings	28	2,276,543	4,408,474
Tax payable		144,845	89,646
		3,912,502	6,835,480

	Note	2018 RMB'000	2017 RMB'000
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	27	184,377	201,109
Receipt in advance	27	—	2,798
Borrowings	28	11,599,185	8,322,299
Deferred tax liabilities	25	4,536,795	4,428,310
Derivative financial instruments	20	6,273	136,924
		16,326,630	13,091,440
Total liabilities, other than net assets attributable to unitholders			
Net assets attributable to unitholders	29	20,239,132	19,926,920
		14,454,122	14,321,384
Total liabilities			
		34,693,254	34,248,304
Net assets			
		1,141,812	1,087,420
Equity			
Revaluation reserve		420,174	455,212
Retained earnings		(420,174)	(455,212)
		—	—
Non-controlling interests		1,141,812	1,087,420
Total equity			
		1,141,812	1,087,420
Units in issue ('000)	29	3,106,450	3,014,285
Net assets attributable to unitholders per unit (RMB)		RMB4.65	RMB4.75

On behalf of the Board of Directors of the Manager.

Director

Director

The notes on pages 176 to 234 are an integral part of these consolidated financial statements.



DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		911,758	1,429,996
Adjustments for the total distributable income (i)			
– Fair value gain on investment properties		(868,555)	(885,792)
– Fair value gain on derivative financial instruments		(56,638)	—
– Foreign exchange gain in financing activities		—	(542,552)
– Deferred taxation in respect of fair value gain on investment property charged to profit or loss		175,807	165,083
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		(355,727)	(296,173)
– Gain on disposal of a subsidiary, after income tax		(245,300)	—
– Fair value gain on support arrangement asset		(7,475)	—
Total distributable loss		(446,130)	(129,438)
Additional items (ii)			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		355,727	296,173
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		128,215	145,777
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		107,068	83,871
– Manager’s fee paid and payable in units in lieu of cash		117,810	107,069
– Fair value loss on derivatives financial instruments		—	258,008
– Foreign exchange loss in financing activities		527,548	—
– Expenses incurred in connection with the acquisition of subsidiaries		8,799	64,921
– Surplus cash from the disposal of subsidiaries		50,500	—
Distributable income after additional items		849,537	826,381
Distributable amount at 1 January		431,127	440,245
Distributions paid during the year (iii)	29	(854,762)	(835,499)
Final distribution declared		425,902	431,127
Distribution per unit, declared (iv)		RMB0.1371	RMB0.1430

Note:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant year.
- (ii) Pursuant to the circular dated 30 June 2012, Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the "Manager") intends to distribute certain additional items on top of the total distributable income under the Trust Deed. For the year ended 31 December 2018, most of the expenses incurred in connection with the acquisition of subsidiaries of approximately RMB8,799,000 will be distributed.
- (iii) A final distribution for the period from 1 July 2017 to 31 December 2017 of RMB0.1424 (equivalent to HK\$0.1768) per unit and interim distribution for the period from 1 January 2018 to 30 June 2018 of RMB0.1394 (equivalent to HK\$0.1608) per unit, totaling approximately RMB854,762,000 (2017: RMB835,499,000), were paid to unitholders on 16 May 2018 and 24 October 2018 respectively.
- (iv) A final distribution for the period from 1 July 2018 to 31 December 2018 of RMB0.1371 (equivalent to HK\$0.1595) per unit, totaling RMB0.2765 (equivalent to HK\$0.3203) was declared by the Board of the Manager on 25 February 2019.

The notes on pages 176 to 234 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Equity				
	Net assets attributable to unitholders RMB'000	Retained earnings RMB'000	Revaluation reserve RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2017	13,534,400	(373,831)	373,831	99,984	13,634,384
Issuance of units	111,106	—	—	—	111,106
Acquisition of a subsidiary	—	—	—	979,480	979,480
Profit/(loss) for the year ended 31 December 2017 attributable to:					
– Unitholders	1,511,377	—	—	—	1,511,377
– Equity holders	—	(81,381)	—	7,099	(74,282)
Distributions paid to unitholders	(835,499)	—	—	—	(835,499)
Change in fair value of property, plant and equipment, net of tax	—	—	81,381	857	82,238
At 31 December 2017	14,321,384	(455,212)	455,212	1,087,420	15,408,804
At 1 January 2018	14,321,384	(455,212)	455,212	1,087,420	15,408,804
Issuance of units	110,780	—	—	—	110,780
Profit/(loss) for the year ended 31 December 2018 attributable to:					
– Unitholders	876,720	—	—	—	876,720
– Equity holders	—	35,038	—	54,761	89,799
Distributions paid to unitholders	(854,762)	—	—	—	(854,762)
Change in fair value of property, plant and equipment, net of tax	—	—	(35,038)	(369)	(35,407)
At 31 December 2018	14,454,122	(420,174)	420,174	1,141,812	15,595,934

The notes on pages 176 to 234 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	30	1,288,633	986,508
Interest paid		(438,117)	(345,525)
Corporate income tax paid		(86,235)	(35,625)
Support arrangement assets received		11,091	—
Top-up payment received		—	17,184
Net cash generated from operating activities		775,372	622,542
Cash flows from investing activities			
Additions of investment properties		(14,841)	(35,708)
Additions of property, plant and equipment		(19,325)	(19,107)
Interest received		35,517	30,975
Decrease/(increase) in short-term bank deposits with original maturity of more than three months		4,069	(4,302)
Settlement of deferred payment		(822,737)	—
Acquisition of subsidiaries, net of cash acquired	31	(530,575)	(963,062)
Disposal of subsidiaries	21	995,472	—
Net cash used in investing activities		(352,420)	(991,204)
Cash flows from financing activities			
Distributions paid		(854,762)	(835,499)
Proceeds from borrowings, net of transaction costs		5,276,630	3,777,732
Repayment of bank borrowings		(4,683,244)	(2,450,495)
Settlement of derivative financial instruments		(6,725)	—
Net cash (used in)/generated from financing activities		(268,101)	491,738
Net increase in cash and cash equivalents		154,851	123,076
Cash and cash equivalents at beginning of the year		1,303,904	1,180,828
Cash and cash equivalents at end of the year	24	1,458,755	1,303,904

The notes on pages 176 to 234 are an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries (together, the "Group") are mainly engaged in the leasing of commercial properties in Mainland China ("China").

Yuexiu REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed entered into between the Manager and HSBC Institutional Trust Services (Asia) Limited, as the Trustee of Yuexiu REIT (the "Trustee") on 7 December 2005 (as amended by First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010 and Third supplemental deed dated 25 July 2012) (the "Trust Deed") and authorised under section 104 of the Securities and Futures Ordinance ("SFO") subject to the applicable conditions imposed by Securities and Futures Commission ("SFC") from time to time.

The address of its registered office is 17B, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Yuexiu REIT is listed on The Stock Exchange of Hong Kong Limited. These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(A) BASIS OF PREPARATION

The consolidated financial statements of Yuexiu REIT have been prepared in accordance with all applicable HKFRS, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the investment properties and hotel and serviced apartment and derivative financial instruments which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by RMB1,993,054,000 (2017: RMB5,155,759,000) mainly because of the borrowings of RMB2,276,543,000 (2017: RMB:4,408,474,000) which fall due within twelve months from the balance sheet date. The Manager is in the process of discussing with the Group's principal bankers and believes the Group will be able to refinance the borrowings based on the Group's past experience, its assets quality and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds and existing or new facilities and medium term notes programme, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(A) BASIS OF PREPARATION (continued)

(i) *New and amended standards effective for the year ended 31 December 2018*

HKFRS 15 and HKFRS 15 (Amendments)	Revenue from contracts with customers
Amendments to HKAS 40	Transfer of investment properties
Amendments to HKFRS 1 HKAS 28	Annual Improvements to HKFRS 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts applying HKFRS 9 Financial Instructions with HKFRS 4 Insurance Contracts
HK(IFRIC) 22	Foreign currency transactions and advance consideration
HKFRS 9	Financial Instruments

The adoption of these new and amended standards did not result in any significant impact on the results and financial position of the Group.

(ii) *New and amended standards have been issued but are not yet effective for the year ended 31 December 2018 and have not been early adopted by the Group:*

		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Venture	1 January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Annual improvements 2015-2017 Cycle (Amendments)	Improvements to HKFRSs	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Manager anticipate that the adoption of these new and amended standards would not result in any significant impact on the results and financial position of the Group. The Group plans to adopt these new and amended standards when they become effective.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) CONSOLIDATION

(i) *Subsidiaries*

The consolidated financial statements include the financial statements of Yuexiu REIT and all of its subsidiaries made up to 31 December 2018.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(ii) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(C) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Manager that make strategic decisions.

(D) FOREIGN CURRENCY TRANSLATION

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is Yuexiu REIT's functional currency and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within "finance income" or "finance expenses". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "operating expenses, net".

(E) PROPERTY, PLANT AND EQUIPMENT

- (i) Hotel and serviced apartments comprise mainly buildings, leasehold improvements and fixtures and furniture of hotel and serviced apartment, and is stated at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed with sufficient regularity by independent professional qualified valuers. Changes arising on the revaluation are dealt with in other comprehensive income and are accumulated in the revaluation reserve, except that, when a deficit arises on revaluation, it will be charged to the profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to revaluation.

When a surplus arises on revaluation, it will be credited to the profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

When a revalued asset is sold, the amount included in the revaluation reserve is transferred to net assets attributable to unitholders.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(E) PROPERTY, PLANT AND EQUIPMENT (continued)

- (ii) All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Hotel and serviced apartment are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.

Leasehold improvements, furniture, fixtures and office supplies	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "operating expenses" in the consolidated statement of comprehensive income.

(F) INVESTMENT PROPERTIES

Investment property, principally comprising leasehold land, office buildings and shopping mall, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Changes in fair values are recorded in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(G) GOODWILL

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets of the acquired subsidiaries.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(H) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

(I) IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(J) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(K) INVENTORIES

Inventories comprise primarily food, beverages and operating supplies and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(L) FINANCIAL ASSETS

(i) Classification

The Group classifies its financial assets in either those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in the profit or loss or OCI. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

A financial asset is initially measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments are subsequently measured depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group's financial assets are classified into two categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss, in the period in which it arises.

(ii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the HKFRS 9 simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The identified impairment loss was immaterial. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9 the identified impairment loss was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(M) LAND USE RIGHTS

The upfront prepayments made for the land use rights are expensed in the profit or loss on a straight-line basis over the period of the rights or when there is impairment, the impairment is expensed in the profit or loss.

(N) RENTAL DEPOSITS

Rental deposits are financial liabilities with fixed or determinable repayments. They arise when the Group enters into lease agreement directly with tenants. They are included in current liabilities, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current liabilities.

Rental deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. At initial recognition, the difference between the carrying amount of the financial liability and the actual consideration received is treated as initial premiums and recognised as rental income over the lease term, on a straight-line basis.

(O) CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(P) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(Q) PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(R) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(S) BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(T) CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in China where Yuexiu REIT and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(T) CURRENT AND DEFERRED INCOME TAX (continued)

(ii) *Deferred income tax (continued)*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(U) REVENUE RECOGNITION

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

(i) *Rental income*

Operating lease rental income is recognised on a straight-line basis over the period of the lease. When the Group provides incentives to its tenants, the cost of incentives will be recognised over the lease term, on a straight-line basis, as a reduction of rental income. The difference between the gross receipt of rental and operating lease rental recognised over the lease term is recognised as deferred assets.

(ii) *Hotel and serviced apartment income*

Hotel and serviced apartment income are recognised when services are rendered.

(iii) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(V) DISTRIBUTIONS TO UNITHOLDERS

In accordance with the Trust Deed, Yuexiu REIT is required to distribute to unitholders not less than 90% of the Group's profit for each financial year subject to adjustments allowed under the REIT Code and the Trust Deed. These units are therefore classified as financial liabilities in accordance with HKAS 32 and, accordingly, the distributions paid to unitholders represent finance costs and are therefore presented as an expense in the profit or loss. Consequently, Yuexiu REIT has recognised distributions as finance costs in the profit or loss.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(W) EMPLOYEE BENEFITS

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

3 FINANCIAL RISK MANAGEMENT

(A) FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Manager of Yuexiu REIT identifies and evaluates financial risks. The Manager provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, non-derivative financial instruments, and investing of excess liquidity.

(i) *Market risk*

(a) Foreign exchange risk

The Group operates in China with most of the transactions denominated in RMB. The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents, short-term bank deposits and bank borrowings denominated primarily in Hong Kong dollar ("HK\$") and United States dollar ("USD").

At 31 December 2018 and 2017, if RMB had weakened/strengthened by 5% against HK\$ and USD with all other variables held constant, post-tax profit for the year ended 31 December 2018 would have been approximately RMB570,034,000 (2017: RMB511,282,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$ and USD denominated cash and cash equivalents, short-term bank deposits and borrowings.

(b) Cash flow interest rate risk

The Group's interest rate risk mainly arises from borrowings obtained at variable rates which expose the Group to cash flow interest rate risk.

Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use floating-to-fixed interest rate swaps to manage the risk where the Group forecasts a significant rise in interest charge in the foreseeable future. The Group did not enter into any swaps for its floating-rate borrowing for the year ended 31 December 2018 and 2017. At 31 December 2018 and 2017, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB130,696,000 (2017: RMB124,291,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.



3 FINANCIAL RISK MANAGEMENT (continued)

(A) FINANCIAL RISK FACTORS (continued)

(ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, trade receivables, amounts due from related parties, other receivables and deposits with banks and financial institutions, as well as credit exposures to tenants.

The table below shows the bank deposits balance of the five major banks at the balance sheet date. Management does not expect any losses from non-performance by these banks.

	2018 RMB'000	2017 RMB'000
Counterparty		
The Hongkong and Shanghai Banking Corporation Ltd.	11,868	62,802
Bank of China	593,825	511,447
BNP Paribas Hong Kong Branch	63,465	—
DBS Bank Ltd. Hong Kong Branch	219,070	273,197
China Construction Bank	378,467	342,467
Other banks	214,246	140,246
Short-term bank deposits and cash and cash equivalent	1,480,941	1,330,159

The Group has no policy to limit the amount of credit exposure to any financial institution.

The Group has policies in place to ensure that sales are made to customers with an appropriate financial strength and appropriate deposit. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and customers.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group to be minimal as such amounts are generally placed with state-owned banks or banks with good ratings.

3 FINANCIAL RISK MANAGEMENT (continued)

(A) FINANCIAL RISK FACTORS (continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and operating cash flow. The Group has short-term bank deposits and cash and cash equivalents of RMB1,481,388,000 as at 31 December 2018 (2017: RMB1,330,606,000). Due to the nature of the underlying business, the Manager maintains flexibility by adjusting the amount of distributions to be paid for the percentage in excess of 90% of the distributable income.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000	Total RMB'000
As at 31 December 2018					
Rental deposits	172,221	76,026	123,291	12,241	383,779
Trade payables	17,689	—	—	—	17,689
Accruals and other payables	998,607	—	—	—	998,607
Amounts due to related parties	103,227	—	—	—	103,227
Bank borrowings					
- Principal to be repaid	2,276,543	4,112,138	3,577,847	1,179,080	11,145,608
- Interest payables	422,730	763,389	645,710	245,622	2,077,451
Other borrowings					
- Principal to be repaid	—	—	2,730,120	—	2,730,120
- Interest payables	129,681	129,681	43,227	—	302,589
Derivative financial instruments	113,745	6,273	—	—	120,018
As at 31 December 2017					
Rental deposits	151,145	101,493	98,464	19,068	370,170
Trade payables	17,611	—	—	—	17,611
Accruals and other payables	1,158,000	—	—	—	1,158,000
Amounts due to related parties	887,404	—	—	—	887,404
Bank borrowings					
- Principal to be repaid	2,123,815	2,175,877	4,467,342	1,679,080	10,446,114
- Interest payables	202,909	152,798	383,892	154,651	894,250
Other borrowings					
- Principal to be repaid	2,284,659	—	—	—	2,284,659
- Interest payables	29,510	—	—	—	29,510
Derivative financial instruments	46,457	136,924	—	—	183,381



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

(B) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders.

Consistent with others in the industry, the Manager monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total asset value as shown in the consolidated balance sheet.

During 2018, the Group's strategy, which was unchanged from 2017, was to maintain a gearing ratio not exceeding 45%. The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 RMB'000	2017 RMB'000
Total borrowings (Note 28)	13,875,728	12,730,773
Total asset value	35,835,066	35,335,724
Gearing ratio	39%	36%

The gearing ratio increased to 39% in 2018 (2017: 36%) mainly due to the increase in borrowings during the year.

(C) FAIR VALUE ESTIMATION

The carrying amounts of the Group's current financial assets and current financial liabilities approximate their fair values due to their short maturities.

The fair value of non-current financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

See Note 13 for disclosures of property, plant and equipment, Note 15 for investment properties, and Note 20 for derivative financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) ESTIMATE OF FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the directors of the Manager determine the amount within a range of reasonable fair value estimates. In making its judgement, the directors of the Manager consider information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of properties is not available, the fair values of properties are determined using discounted cash flow valuation techniques. The directors of the Manager use assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the directors of the Manager and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition. These valuations are reviewed annually by external valuers.

The fair value of property, plant and equipment and investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Notes 13 and 15 respectively.

(B) ESTIMATE OF IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(G). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Manager. Management determines the operating segments based on the Group's internal reports, which are then submitted to the executive directors for performance assessment and resources allocation.

The executive directors consider the business by nature of business activities and assess the performance of hotel and service apartments, office rental and wholesale and shopping mall.

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs. Other information provided, except as noted below, to the executive directors are measured in a manner consistent with that in the consolidated financial statements.

Total assets excluded corporate assets which are not directly attributable to segments.

The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
Year ended 31 December 2018				
Revenue from external customers	542,519	945,942	543,415	2,031,876
Segment results	81,648	1,366,272	796,258	2,244,178
Depreciation and amortisation	129,425	147	—	129,572
Fair value gain on investment properties	—	564,852	340,307	905,159
Year ended 31 December 2017				
Revenue from external customers	527,253	824,005	502,641	1,853,899
Segment results	51,017	1,556,271	446,832	2,054,120
Depreciation and amortisation	144,621	1,156	—	145,777
Fair value gain on investment properties	—	861,592	24,200	885,792
As at 31 December 2018				
Total reportable segments' assets	4,345,379	19,757,166	10,791,248	34,893,793
As at 31 December 2017				
Total reportable segments' assets	4,512,532	20,056,202	9,799,923	34,368,657

5 REVENUE AND SEGMENT INFORMATION (continued)

A reconciliation of total segment results to total profit before income tax and transactions with unitholders is provided as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Segment results	2,244,178	2,054,120
Unallocated operating costs (Note)	(228,800)	(288,013)
Operating profit	2,015,378	1,766,107
Fair value gain/(loss) on derivative financial instruments	56,638	(258,008)
Gain on disposal of a subsidiary	302,779	—
Finance income	58,253	573,527
Finance expenses	(1,008,160)	(366,987)
Profit before income tax and transactions with unitholders	1,424,888	1,714,639

Note: Unallocated operating costs include mainly asset management fee, legal and professional expenses and other operating expenses.

A reconciliation of reportable segments' assets to total assets is provided as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Total reportable segments' assets	34,893,793	34,368,657
Corporate assets	941,273	967,067
Total assets	35,835,066	35,335,724



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (continued)

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
China	2,031,876	1,853,899	34,893,793	34,368,657
Unallocated assets			941,273	967,067
			35,835,066	35,335,724

The Group's revenue by nature is as follows:

	2018	2017
	RMB'000	RMB'000
Hotel and serviced apartments operations		
Room rentals	314,698	299,705
Food and beverages	208,727	209,535
Property rentals	1,489,357	1,326,647
Others	19,094	18,012
	2,031,876	1,853,899

The following is an analysis of the Group's revenue by timing of satisfaction of performance obligations:

	2018	2017
	RMB'000	RMB'000
Revenue recognised at a point in time	224,840	223,213
Revenue recognised overtime	314,698	299,705
Other sources	1,492,338	1,330,981
	2,031,876	1,853,899

6 EXPENSES BY NATURE, NET

	2018 RMB'000	2017 RMB'000
Property management fees (i)	47,002	40,471
Employee benefit expenses (Note 7)	122,187	120,307
Real estate tax	179,487	164,877
Flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	12,244	10,792
Withholding tax (ii)	58,277	56,581
Depreciation of property, plant and equipment (Note 13)	80,287	96,492
Amortisation of land use rights (Note 14)	49,285	49,285
Cost of inventories sold or consumed in operation	60,240	61,612
Other direct expenses on hotel and serviced apartment	131,020	129,314
Manager's fee (Note 8)	147,263	133,836
Trustee's fee	10,710	10,230
Valuation fees	1,439	1,193
Legal and professional fee	25,259	65,589
Auditor's remuneration	3,154	3,000
Bank charges	531	1,390
Foreign exchange (gain)/loss arising from operating activities	(21,282)	8,395
Others	14,554	20,220
Total operating expenses, net	921,657	973,584

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd. (previously known as Guangzhou Yicheng Property Management Ltd.), Guangzhou Baima Business Operation Management Co., Ltd. and Guangzhou Yuexiu Asset Management Company Limited (Note 32).
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.



7 EMPLOYEE BENEFIT EXPENSES

	2018 RMB'000	2017 RMB'000
Wages, salaries and bonus	79,856	78,928
Pension costs	4,735	4,533
Medical benefits costs	3,245	3,155
Social security costs	5,551	5,301
Staff welfare	28,800	28,390
	122,187	120,307

PENSION SCHEME ARRANGEMENTS

Certain subsidiaries of Yuexiu REIT in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government. The Group has no further obligations for the actual payment of pensions beyond its contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

8 MANAGER'S FEE

Pursuant to the Trust Deed, the Manager is entitled to receive remuneration for its services as manager of Yuexiu REIT, which is the aggregate of a base fee of 0.3% per annum of the carrying value of the deposited property; a service fee of 3% per annum of net property income; a transaction fee of 1% of the consideration for the acquisition of any real estate from external party and a transaction fee of 0.5% of the gross sale price of the disposal of any part of deposited property comprising of Real Estate, as defined in the Trust Deed.

	2018 RMB'000	2017 RMB'000
Manager's fee:		
In the form of units	117,810	107,069
In the form of cash	29,453	26,767
	147,263	133,836

Pursuant to the announcement of Yuexiu REIT dated 15 January 2018, a portion of the manager's fee for the year ended 31 December 2018 will be paid in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the year ended 31 December 2018 are expected to be issued on 14 March 2019. Also in accordance with the Trust Deed, the issue price of the units (and consequentially the number of units to be issued to the Manager) will be calculated based on the higher of (i) the closing price of the units on the trading day immediately preceding 14 March 2019 and (ii) the average closing price of the units in the 10 trading days immediately preceding 14 March 2019.

9 FINANCE INCOME

	2018 RMB'000	2017 RMB'000
Interest income from bank deposits	13,819	9,489
Interest income from a related company	21,698	21,486
Foreign exchange gain on financing activities	—	542,552
Fair value gain on support arrangement asset (Note 19)	22,736	—
	58,253	573,527

10 FINANCE EXPENSES

	2018 RMB'000	2017 RMB'000
Interest expense for bank borrowings	326,066	272,052
Interest expense for other borrowings	112,051	73,473
Interest expenses to a related party	18,474	360
Amortisation of transaction costs for borrowings	24,020	21,102
Foreign exchange loss on financing activities	527,549	—
	1,008,160	366,987



NOTES TO THE FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE

For the subsidiaries incorporated and operate in China, they are subject to China corporate income tax at a rate of 25% under Corporate Income Tax Law of China.

For other subsidiaries with operations in China, the corporate income tax was paid by way of withholding tax as disclosed in Note 6 (ii).

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong.

	2018 RMB'000	2017 RMB'000
Current income tax		
- China corporate income tax	95,297	42,742
- Under-provision in prior years	1,562	—
- PRC withholding tax	15,108	—
Deferred income tax (Note 25)	346,402	234,802
	458,369	277,544

The tax on the Group's profit before income tax and transactions with unitholders differs from the theoretical amount that would arise using the corporate income tax rate of China as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax and transactions with unitholders	1,424,888	1,714,639
Tax calculated at domestic tax rate of 25%	356,222	428,660
Income not subject to tax	(284,680)	(349,448)
Expenses not deductible for tax purposes	348,450	170,352
Under-provision in prior years	1,562	—
Withholding tax on unremitted earnings of subsidiaries	54,104	27,980
Recognition of previously unrecognised tax losses	(14,680)	—
Utilisation of previously unrecognised tax losses	(2,609)	—
	458,369	277,544

12 EARNINGS PER UNIT BASED UPON PROFIT AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

(A) BASIC

Basic earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by dividing the profit after income tax before transactions with unitholders attributable to unitholders by the weighted average number of units in issue during the year.

	2018	2017
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	911,758	1,429,996
Weighted average number of units in issue ('000)	3,029,200	2,937,991
Basic earnings per unit (RMB)	0.30	0.49

(B) DILUTED

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the year which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. For the purpose of calculating diluted earnings per unit, the number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 31 December 2018.

	2018	2017
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	911,758	1,429,996
Weighted average number of units in issue ('000)	3,029,200	2,937,991
Adjustments for deferred units ('000)	535,401	602,401
Adjustments for manager's fee in form of units ('000)	13,984	10,338
Weighted average number of units for diluted earnings per unit ('000)	3,578,585	3,550,730
Diluted earnings per unit (RMB)	0.25	0.40



NOTES TO THE FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2017				
Cost	2,305,808	12,692	9,503	2,328,003
Accumulated depreciation	(418,545)	(12,627)	(7,868)	(439,040)
Fair value gain on revaluation	524,736	—	—	524,736
Net book amount	2,411,999	65	1,635	2,413,699
Year ended 31 December 2017				
Opening net book amount	2,411,999	65	1,635	2,413,699
Additions	19,106	1	—	19,107
Depreciation (Note 6)	(95,336)	(13)	(1,143)	(96,492)
Acquisition of subsidiaries (Note 31)	—	390	146	536
Fair value gain on revaluation	114,231	—	—	114,231
Closing net book amount	2,450,000	443	638	2,451,081
At 31 December 2017				
Cost	2,324,914	13,083	9,649	2,347,646
Accumulated depreciation	(513,881)	(12,640)	(9,011)	(535,532)
Fair value gain on revaluation	638,967	—	—	638,967
Net book amount	2,450,000	443	638	2,451,081

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2018				
Opening net book amount	2,450,000	443	638	2,451,081
Additions	19,325	—	—	19,325
Disposal	(2)	—	—	(2)
Depreciation (Note 6)	(80,140)	(76)	(71)	(80,287)
Fair value loss on revaluation	(49,183)	—	—	(49,183)
Closing net book amount	2,340,000	367	567	2,340,934
At 31 December 2018				
Cost	2,344,185	13,083	9,649	2,366,917
Accumulated depreciation	(593,969)	(12,716)	(9,082)	(615,767)
Fair value gain on revaluation	589,784	—	—	589,784
Net book amount	2,340,000	367	567	2,340,934

If hotel and serviced apartments had not been revalued, it would have been included in these consolidated financial statements at historical cost less accumulated depreciation of RMB1,750,216,000 (2017: RMB1,811,033,000).

As at 31 December 2018, property, plant and equipment with an aggregate carrying amount of RMB2,023 million (2017: RMB2,171 million) were pledged as collateral for the Group's bank borrowings (Note 28).

The following table analyses the property, plant and equipment carried at fair value:

	2018 RMB'000	2017 RMB'000
Opening balance	2,450,000	2,411,999
Additions	19,325	19,106
Disposal	(2)	—
Depreciation	(80,140)	(95,336)
Unrealised (losses)/gains recognised in reserve	(49,183)	114,231
Closing balance	2,340,000	2,450,000
Unrealised (losses)/gains for the year included in other comprehensive income at the end of the year	(49,183)	114,231



13 PROPERTY, PLANT AND EQUIPMENT (Continued)

VALUATION PROCESSES OF THE GROUP

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments were revalued by Savills Valuation and Professional Services Limited, being independent qualified valuer not related to the Group at 31 December 2018 and 2017.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report
- Assesses property valuations movements when compared to the prior year valuation report
- Holds discussions with the independent valuer

VALUATION TECHNIQUES

Fair value measurements using significant unobservable inputs

Fair value of the building portion of hotel and serviced apartments of Guangzhou International Financial Center ("Guangzhou IFC") is derived using depreciated replacement cost method.

The depreciated replacement cost method involves estimation of the market redevelopment costs of the building portion of hotel and serviced apartments of Guangzhou IFC which includes building costs, finance costs and professional fee. Depreciation is also considered to reflect the physical deterioration, functional and economic obsolescence to derive the fair value.

The overall fair value (including land and building elements) of hotel and serviced apartments in China is generally derived using the discounted cash flow analysis. Due to lack of land transaction in market, fair value of land, for disclosure purpose only as set out in Note 14, is therefore calculated as the difference between the fair value under discounted cash flow analysis and the value under depreciated replacement cost method.

In the course of discounted cash flow analysis, both income and expenses over the coming ten years from the date of valuation are itemised and projected annually taking into account the rental revenue, associated revenues and the expected growth of income and expenses. The net cash flow over the ten-year period is discounted at an appropriate rate of return.

The net cash flow from eleventh year onwards to the expiry date of the land use rights from the government under which both portions are held is capitalised at a market yield expected for the particular type of property investment in the market.

There were no changes to the valuation techniques during the year.

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

Building costs are estimated by reference to market construction costs of other similar buildings. The higher the building costs, the higher the fair value.

Discount rates are estimated by Savills Valuation and Professional Services Limited based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value. Prevailing market room rents are estimated based on recent lettings for hotel and serviced apartments in China, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The adopted valuation assumptions in the depreciated replacement cost method are summarised as follows:

As at 31 December 2017

	Depreciated replacement cost method		
	Building cost (RMB/m ²)	Finance cost (% on construction cost)	Professional fee (% on construction cost)
Hotel	19,000	4.75	6
Serviced apartments	15,000	4.75	6

As at 31 December 2018

	Depreciated replacement cost method		
	Building cost (RMB/m ²)	Finance cost (% on construction cost)	Professional fee (% on construction cost)
Hotel	18,500	4.75	6
Serviced apartments	15,300	4.75	6



NOTES TO THE FINANCIAL STATEMENTS

14 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	1,429,254	1,478,539
Amortisation (Note 6)	(49,285)	(49,285)
At 31 December	<u>1,379,969</u>	<u>1,429,254</u>

The Group's land use rights at their net book amounts are analysed as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
In China:		
Land use rights between 10 and 50 years	<u>1,379,969</u>	<u>1,429,254</u>

As at 31 December 2018, the fair value of land use rights is approximately RMB2,515 million (2017: RMB2,200 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2018, land use rights were pledged with an aggregate net book amount of approximately RMB1,288 million (2017: RMB1,343 million) as collateral for the Group's bank borrowings (Note 28).

15 INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
At 1 January	28,706,000	24,197,500
Additions during the year	14,841	35,708
Acquisition of subsidiaries (Note 31)	601,000	3,587,000
Disposal of subsidiaries (Note 21)	(1,112,000)	—
Fair value gain during the year, included in profit or loss under 'Fair value gain on investment properties'	905,159	885,792
At 31 December	29,115,000	28,706,000
Fair value gain for the year included in profit or loss for assets held at the end of the year, under 'Fair value gain on investment properties'	905,159	885,792

The investment properties were located in China held on land use rights of 40 years to 50 years, expiring in 2045 through 2055.

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB228,673,000 (2017: RMB208,594,000). Included in the direct operating expenses, RMB9,381,000 (2017: RMB3,072,000) was related to investment properties that were vacant.

Yuexiu REIT acquired Hangzhou Victory Business Centre Tower 2 and the related carparks ("Hangzhou Property") on 28 December 2018. In accordance with the REIT Code, Yuexiu REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the unitholders have passed a special resolution consenting to the proposed disposal.

As at 31 December 2018, investment properties with an aggregate carrying value of approximately RMB3,551 million (2017: RMB3,471 million) were pledged as collateral for the Group's bank borrowings (Note 28).

VALUATION PROCESSES OF THE GROUP

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services, being independent qualified valuer not related to the Group at 31 December 2018 and 2017.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report
- Assesses property valuations movements when compared to the prior year valuation report
- Holds discussions with the independent valuer



NOTES TO THE FINANCIAL STATEMENTS

15 INVESTMENT PROPERTIES (Continued)

VALUATION TECHNIQUES

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties in China are derived using both the income capitalisation method and discounted cash flow analysis.

The income capitalisation method is used to capitalise the unexpired rental income of contractual tenancies. It has also taken into account the reversionary market rent after the expiry of tenancies in capitalisation. The prevailing market rents adopted in the valuation have made reference to recent lettings and other similar comparable properties in the vicinity.

For the discounted cash flow analysis, both income and expenses over the coming ten years from the date of valuation are itemised and projected annually taking into account the current rental revenue and the expected growth of income and expenses of each of the properties. The net cash flow over the ten-year period is discounted at an appropriate rate of return.

The net cash flow from eleventh year onwards to the expiry date of the land use rights from the government under which each of the properties is held is capitalised at a market yield expected for the particular type of property investment in the market.

There were no changes to the valuation techniques during the year.

SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

Capitalisation and discount rates are estimated by Savills Valuation and Professional Services Limited for 2018 and 2017 respectively based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The adopted valuation assumptions in the income capitalisation method are summarised as follows:

As at 31 December 2017

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	96 to 312	4.00% to 7.25%
Wholesale and shopping mall	83 to 1,335	4.00% to 7.75%

15 INVESTMENT PROPERTIES (Continued)

SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE (Continued)

As at 31 December 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	98 to 322	4.00% to 7.25%
Wholesale and shopping mall	41 to 1,400	4.00% to 7.75%

The adopted valuation assumptions in discounted cash flow analysis are summarised as follows:

As at 31 December 2017

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	96 to 312	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	83 to 1,335	6.75% to 8.75%	98.00% to 99.50%

As at 31 December 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	98 to 322	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	41 to 1,400	6.75% to 8.75%	98.00% to 99.50%



NOTES TO THE FINANCIAL STATEMENTS

16 SUBSIDIARIES

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital	Interest held (Note)
GZI REIT (Holding) 2005 Company Limited ("HoldCo 2005")	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share	100%
Yuexiu REIT 2012 Company Limited ("REIT 2012")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT MTN Company Limited ("REIT MTN")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT 2013 Company Limited ("REIT 2013")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Partat Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Moon King Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Full Estates Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Keen Ocean Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Tower Top Development Ltd. ("Tower Top")	British Virgin Islands, limited liability company	Investment holding	10,000 ordinary share of USD1 each	99.99%
Bliss Town Holdings Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Hoover Star International Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%

16 SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital	Interest held (Note)
Miller Win Group Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Shinning Opal Management Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Ever Joint Investment International Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
Long Grace Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
Profit Link Investment International Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
San Bright Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
Guangzhou Yuecheng Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd	China, limited liability company	Property management and property leasing in China	Registered capital of RMB2,650 million	98.99%
Guangzhou IFC Hospitality Management Co. Ltd	China, limited liability company	Hospitality management in China	Registered capital of RMB5 million	98.99%
Shanghai Hong Jia Real Estate Development Co., Ltd.	China, limited liability company	Leasing of commercial properties in China	Registered capital of USD28.5 million	100%



NOTES TO THE FINANCIAL STATEMENTS

16 SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital	Interest held (Note)
Bestget Enterprises Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	257,614,000 ordinary shares of HK\$257,614,000	100%
Fully Cheer Management Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Sure Win International Holding Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	100%
Wuhan Yuexiu Property Development Limited	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB 2,200,000,000	67%
Yuexiu REIT 2017 Company Limited ("REIT 2017")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Wealthy Reach Holdings Limited ¹	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Prime Glory Group Holdings Limited ¹	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HKD1	100%
Guangzhou Xiujiang Industries Development Co., Limited ¹	China, limited liability company	Investment holding in China	Registered Capital of RMB 550,000,000	100%
Hangzhou Yuehui Real Estate Development Co., Limited ¹	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB 470,000,000	100%
Yuexiu REIT 2018 Company Limited ²	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT Secure Shell Limited ²	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%

¹ These subsidiaries are acquired during the year ended 31 December 2018.

² These subsidiaries are incorporated during the year ended 31 December 2018.

16 SUBSIDIARIES (Continued)

Note:

Shares of HoldCo 2005, REIT 2012, REIT 2013, MTN, REIT 2017, REIT 2018 and Secure Shell are held directly by Yuexiu REIT. Shares of all the other subsidiaries are held indirectly by Yuexiu REIT.

17 DEFERRED ASSETS

Rental income is recognised on an accrued basis by averaging out the impact of rent-free periods, contracted rental escalations and such other terms affecting the cash received from rental income under each tenancy agreement. Thus, rental income is recognised on a straight-line basis for the entire lease term of each tenancy agreement, which effectively amortises the impact of rent-free periods, contracted rental escalations and other relevant terms on the rental income over the relevant lease periods. The temporary difference between the rental income as set out in the lease agreements and accounting rental income is reflected as deferred assets. Deferred assets which are expected to be realised twelve months after the balance sheet date are classified as non-current assets. The deferred assets are denominated in RMB.

18 GOODWILL

	2018 RMB'000	2017 RMB'000
At 1 January		
Cost	845,325	824,459
Accumulated impairment	—	—
Net book amount	845,325	824,459
Year ended 31 December		
Opening net book amount	845,325	824,459
Acquisition of subsidiaries (Note 31)	15,833	20,866
Disposal of subsidiaries (Note 21)	(1,290)	—
Net book amount	859,868	845,325
At 31 December		
Cost	859,868	845,325
Accumulated impairment	—	—
Net book amount	859,868	845,325



18 GOODWILL (Continued)

IMPAIRMENT TEST FOR GOODWILL

For the purpose of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget.

Key assumptions used in the cash flow projections are as follows:

	2018	2017
Growth rate per annum	3.00% - 5.50%	3.00% - 5.50%
Discount rate per annum	7.75% - 8.50%	7.75% - 8.50%

These assumptions have been used for the analysis of the cash-generating unit ("CGU"). Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGU. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

19 SUPPORT ARRANGEMENT ASSET

On 21 December 2017, through a wholly-owned subsidiary, the Group acquired Fully Cheer Management Limited and its subsidiaries, Sure Win International Holdings Limited and Wuhan Yuexiu Property Development Limited (hereafter collectively referred to as "Fully Cheer Group"), from Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of Yuexiu Property Company Limited ("YXP"). The Fully Cheer Group holds 67% interest in Wuhan Properties. Pursuant to the acquisition, YXP agreed to provide a support arrangement to Yuexiu REIT for the period from 1 January 2018 until 31 December 2020. The support arrangement is the shortfall of actual adjusted net income and baseline adjusted net income, and shall be payable semi-annually. Support arrangement asset is denominated in RMB and the fair value of the balance approximated its carrying amount.

Support arrangement asset is initially recognised at fair value. In determining the fair value of the support arrangement asset, Yuexiu REIT applied a valuation model that has taken into account the expected future cashflows due to the shortfall for the period from 1 January 2018 until 31 December 2020. Support arrangement asset is subsequently carried at amortised cost using the effective interest method. The expected future cash flows are revisited regularly. The carrying amount of support arrangement asset will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in "finance income" (Note 9).

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 RMB'000	2017 RMB'000
Non-current liabilities		
Capped foreign exchange forward contracts	6,273	136,924
Current liabilities		
Capped foreign exchange forward contracts	113,745	46,457

The derivative financial instruments are classified as non-current assets or liabilities if the settlement date is beyond 12 months after the balance sheet date.

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 31 December 2018 were HK\$2,900,000,000 (2017: USD177,000,000 and HK\$2,300,000,000).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The fair values of capped forward exchange contracts are calculated by reference to the present values of the estimated future cash flows, taking into account market observable forward exchange rates at each reporting date. If significant inputs required to fair value an instrument are observable, the instrument is included in level 2 of the fair value hierarchy.



21 DISPOSAL OF SUBSIDIARIES

On 14 December 2018, the Trustee (in its capacity as the trustee of Yuexiu REIT) and the Manager entered into a sale and purchase agreement with an independent third party to dispose 100% equity interest in Metrogold Development Limited (“Metrogold”) and its subsidiary of the Group, including an investment property named Neo Metropolis Plaza. The transaction was completed on 21 December 2018 for a total cash consideration of RMB1,100 million.

Details of the assets and liabilities of Metrogold disposed of and the gain on disposal are as follows:

	2018 RMB'000
Assets and liabilities disposed of:	
Investment properties	1,112,000
Goodwill	1,290
Cash and cash equivalents	37,372
Other assets	6,772
Deferred tax liabilities	(251,952)
Amounts due to related parties	(100,000)
Other liabilities	(22,145)
Net assets disposed of	783,337
Cash consideration received	1,032,844
Less: Cash disposed	(37,372)
Net cash consideration received	995,472
Consideration receivable	67,155
Less: Net assets disposed of, excluding cash	(745,965)
Less: Transaction costs	(13,883)
Gain on disposal of Metrogold	302,779

22 TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	26,785	19,746

The fair values of trade receivables approximate their carrying amounts.

The credit terms of the Group are generally within three months. The ageing analysis of trade receivables by invoice date is as follows:

	2018 RMB'000	2017 RMB'000
0 - 30 days	22,405	16,293
31 - 90 days	3,182	3,040
91 - 180 days	905	413
181-365 days	293	—
	26,785	19,746

As at 31 December 2018, trade receivables of approximately RMB25,587,000 (2017: RMB19,333,000) were fully performing.

As at 31 December 2018, the Group has insignificant trade receivables which are past due but not impaired (2017: nil).

Majority of the Group's trade receivables are denominated in RMB.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance of prepayments, deposits and other receivables mainly represents prepaid business tax on rental deposits and deposits for utilities. The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

All prepayments, deposits and other receivables are denominated in RMB.



NOTES TO THE FINANCIAL STATEMENTS

24 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash at bank and on hand	1,345,300	1,299,718
Short-term bank deposits with original maturity of less than three months	113,455	4,186
Cash and cash equivalents	1,458,755	1,303,904
Short-term bank deposits with original maturity of more than three months	22,633	26,702
Total	1,481,388	1,330,606
Maximum exposure to credit risk	1,480,941	1,330,159

As at 31 December 2018, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB1,167,013,000 (2017: RMB1,086,661,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

The credit quality of short-term bank deposits and cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates as disclosed in Note 3(a)(ii). The existing counterparties do not have defaults in the past.

Short-term bank deposits and cash and cash equivalents are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
HK\$	231,073	204,766
RMB	1,167,653	1,099,367
USD	82,662	26,473
	1,481,388	1,330,606

25 DEFERRED TAX LIABILITIES

	2018 RMB'000	2017 RMB'000
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	4,536,795	4,428,310

The movements in the deferred tax liabilities are as follows:

	2018 RMB'000	2017 RMB'000
Beginning of the year	4,428,310	3,891,364
Deferred taxation charged to profit or loss (Note 11)	346,402	234,802
Deferred taxation (credited)/charged to reserve	(13,776)	31,993
Acquisition of subsidiaries (Note 31)	27,811	270,151
Disposal of subsidiaries (Note 21)	(251,952)	—
End of the year	4,536,795	4,428,310

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Tax losses RMB'000
At 1 January 2017	113,889
Credited to profit or loss	26,040
Acquisition of subsidiaries (Note 31)	14,500
At 31 December 2017	154,429
At 1 January 2018	154,429
Credited to profit or loss	(37,433)
Acquisition of subsidiaries (Note 31)	284
At 31 December 2018	117,280



NOTES TO THE FINANCIAL STATEMENTS

25 DEFERRED TAX LIABILITIES (Continued)

The movements in deferred tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Fair value gains RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Accelerated depreciation allowance and others RMB'000	Total RMB'000
Year ended 31 December 2017				
At 1 January 2017	3,097,222	438,268	469,763	4,005,253
Charged to profit or loss	165,083	26,634	69,125	260,842
Charged to reserve	31,993	—	—	31,993
Acquisition of subsidiaries (Note 31)	257,976	20,742	5,933	284,651
At 31 December 2017	3,552,274	485,644	544,821	4,582,739
Year ended 31 December 2018				
At 1 January 2018	3,552,274	485,644	544,821	4,582,739
Charged to profit or loss	225,571	38,087	45,311	308,969
Charged to reserve	(12,296)	(1,480)	—	(13,776)
Acquisition of subsidiaries (Note 31)	7,623	20,063	409	28,095
Disposal of subsidiaries (Note 21)	(206,754)	(9,637)	(35,561)	(251,952)
At 31 December 2018	3,566,418	532,677	554,980	4,654,075

26 TRADE PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	17,689	17,611

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	2018 RMB'000	2017 RMB'000
0 - 30 days	10,157	10,394
31 - 90 days	5,896	4,473
91 - 180 days	1,636	2,744
	17,689	17,611

Majority of the Group's trade payables are denominated in RMB.



NOTES TO THE FINANCIAL STATEMENTS

27 RENTAL DEPOSITS, RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Rental deposits		
Current portion	172,221	151,145
Non-current portion	184,377	201,109
	356,598	352,254
Receipts in advance		
Current portion	85,625	76,743
Non-current portion	—	2,798
	85,625	79,541
Accrued urban real estate tax	15,455	13,509
Accrued withholding tax payable	9,493	11,697
Accrued urban land use tax, value-added tax, urban construction and maintenance tax, education surcharge and local education surcharge	11,412	11,272
Construction fee payable	796,897	943,171
Accruals for operating expenses	165,350	178,351
Accruals and other payables	998,607	1,158,000
	1,440,830	1,589,795

The carrying amounts of rental deposits, receipts in advance and accruals and other payables approximate their fair values.

Majority of the Group's rental deposits, receipts in advance and accruals and other payables are denominated in RMB.

28 BORROWINGS

	2018 RMB'000	2017 RMB'000
Current portion of long term borrowings		
Bank borrowings, secured	268,440	268,440
Bank borrowings, unsecured	2,008,103	1,855,375
Other borrowings, unsecured (Note b)	—	2,284,659
	2,276,543	4,408,474
Long-term borrowings		
Bank borrowings		
– Secured (Note a)	2,521,280	3,021,280
– Unsecured	8,624,328	7,424,834
Other borrowings, unsecured (Note b)	2,730,120	2,284,659
	13,875,728	12,730,773
Less: current portion of long-term borrowings	(2,276,543)	(4,408,474)
Total long-term borrowings	11,599,185	8,322,299
Analysed into:		
Unsecured	11,354,448	9,709,493
Secured	2,521,280	3,021,280
	13,875,728	12,730,773

Note a:

Syndicated and entrustment loans totalling to RMB2,521 million (2017: RMB3,021 million) which are secured by certain parts of Guangzhou IFC with carrying value of RMB6,862 million (2017: RMB7,107 million).

The Group's borrowings are repayable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	2,276,543	4,408,474
Between one year and five years	10,420,105	6,643,219
Over five years	1,179,080	1,679,080
	13,875,728	12,730,773



NOTES TO THE FINANCIAL STATEMENTS

28 BORROWINGS (Continued)

The effective interest rates (per annum) of the borrowings at the balance sheet date were as follows:

	2018	2017
RMB	4.31%	4.31%
HK\$	3.65%	2.47%
USD	4.99%	3.26%

The carrying amounts of the borrowings are denominated in RMB, HK\$ and USD and approximate their fair values.

	2018 RMB'000	2017 RMB'000
RMB	2,521,280	3,021,280
HK\$	8,624,328	5,569,459
USD	2,730,120	4,140,034
	13,875,728	12,730,773

The Group has no undrawn bank borrowing facility as at 31 December 2017 and 2018.

Note b:

On 27 April 2018, Yuexiu REIT MTN Company Limited, a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$400 million principal amount of 4.75% notes due 2021 (the "USD Bond") to investors under the US\$1.5 billion guaranteed medium term note programme established on 16 April 2018 pursuant to the subscription agreement dated 23 April 2018. During the year, the US\$350 million principal amount of 3.10% notes was matured and settled.

29 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2018 RMB'000	2017 RMB'000
At 1 January	14,321,384	13,534,400
Issuance of units	110,780	111,106
Transfer from the consolidated statement of comprehensive income	876,720	1,511,377
Distributions paid during the year	(854,762)	(835,499)
At 31 December	14,454,122	14,321,384

The movements in the number of existing units are as below:

Units in issue ('000)	2018	2017
At 1 January	3,014,285	2,921,780
Units issued during the year (Note a)	25,165	26,505
Issuance of deferred units during the year (Note b)	67,000	66,000
At 31 December	3,106,450	3,014,285

Note a:

During 2018, 25,164,531 units were issued for payment of manager's fee (2017: 26,505,412 units).

Note b:

Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued to YXP each year, when aggregated with the Manager Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by YXP at the relevant time. During 2018, 67,000,000 units were issued and the outstanding deferred units at 31 December 2018 was 535,401,000 units (31 December 2017: 602,401,000 units).



NOTES TO THE FINANCIAL STATEMENTS

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax and transactions with unitholders to cash generated from operations:

	2018 RMB'000	2017 RMB'000
Profit before income tax and transactions with unitholders	1,424,888	1,714,639
Adjustments for:		
- Depreciation expenses	80,287	96,492
- Amortisation of land use right	49,285	49,285
- Amortisation of transaction costs for bank borrowings	24,020	21,102
- Foreign exchange loss/(gain) on financing activities	527,549	(542,552)
- Fair value gains on investment properties	(905,159)	(885,792)
- Fair value (gain)/loss on derivative financial instruments	(56,638)	258,008
- Fair value gain on support arrangement asset	(22,736)	—
- Gains on disposal of a subsidiary	(302,779)	—
- Loss on disposal of property, plant and equipment	2	—
- Interest income	(35,517)	(30,975)
- Interest expenses	456,471	345,885
Changes in working capital:		
- Deferred assets	2,455	11,741
- Inventories	(1,210)	1,210
- Trade receivables	(6,748)	8,916
- Amounts due from related parties	27,442	(135,006)
- Prepayments, deposits and other receivables	(26,882)	(18,311)
- Trade payables	78	1,099
- Rental deposits	13,640	15,187
- Receipts in advance	3,847	(4,128)
- Accruals and other payables	(83,771)	79,908
- Amounts due to related parties	120,109	(200)
Cash generated from operations	1,288,633	986,508

(b) Major non-cash transaction:

During the year ended 31 December 2018, 25,164,531 units (2017: 26,505,412 units) amounting to RMB110,780,000 (2017: RMB111,106,000) were issued for payment of manager's fee.

31 BUSINESS COMBINATION

On 23 December 2018, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of YXP, to acquire Wealthy Reach Holding Limited and its subsidiaries, Prime Glory Group Holdings Limited, GuangzhouXiujiang Industries Development Co Ltd and Hangzhou Yuehui Real Estate Development Co Ltd (hereafter collectively referred to as "Wealthy Reach Group"). The Wealthy Reach Group holds 100% interest in Hangzhou Property. The transaction was completed on 28 December 2018.

The financial impact to the Group from acquisition date to 31 December 2018 was insignificant.

Had Wealthy Reach Group been consolidated from 1 January 2018 to 31 December 2018, the consolidated statement of comprehensive income would show pro-forma revenue of RMB2,050 million and profit before income tax of RMB977 million for its leasing operations.

The following table summarises the consideration paid for Wealthy Reach Group, the fair value of assets acquired and liabilities assumed at the acquisition date and the relating goodwill.

	2018 RMB'000
Purchase consideration	
At 28 December 2018	
Total cash consideration	563,421
Fair value of net assets acquired – shown as below	(547,588)
Goodwill	15,833
	Fair value RMB'000
Investment property	601,000
Deferred assets	978
Trade and other receivables and prepayments	9,538
Tax recoverable	4,072
Cash and cash equivalents	26,136
Accruals and other payables	(28,494)
Rental deposits	(5,930)
Receipts in advance	(4,888)
Amount due to a fellow subsidiary	(97)
Tax payable	(26,916)
Deferred income tax liabilities (Note 25)	(27,811)
Net asset acquired	547,588



31 BUSINESS COMBINATION (Continued)

	2018 RMB'000
Cash outflow to acquire business, net of cash acquired:	
Purchase consideration settled in cash	556,711
Cash and cash equivalents acquired	(26,136)
Cash outflow on acquisition	530,575
Consideration payable	6,710
Total consideration less cash acquired	537,285

Acquisition-related costs of RMB8,799,000 have been charged to operating expenses in the consolidated statement of comprehensive income for the year ended 31 December 2018.

The goodwill from the acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the acquisition, the Group expanded its footprint beyond Guangzhou, Shanghai and Wuhan and diversified its property portfolio. It also benefits through economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

On 14 November 2017, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of YXP, to acquire Fully Cheer Management Limited and its subsidiaries, Sure Win International Holdings Limited and Wuhan Yuexiu Property Development Limited (hereafter collectively referred to as "Fully Cheer Group"). The Fully Cheer Group holds 67% interest in Wuhan Property. The transaction was completed on 21 December 2017.

31 BUSINESS COMBINATION (Continued)

The following table summarises the consideration paid for Fully Cheer Group, the fair value of assets acquired and liabilities assumed at the acquisition date and the relating goodwill.

	2017 RMB'000
Purchase consideration	
At 21 December 2017	
– Cash	1,205,705
– Deferred completion payment	803,803
Total consideration	2,009,508
Non-controlling interest	979,480
Fair value of net assets acquired – shown as below	(2,968,122)
Goodwill	20,866
	Fair value RMB'000
Property, plant and equipment	536
Deferred assets	16,171
Investment property	3,587,000
Trade and other receivables	13,797
Cash and cash equivalents	242,643
Trade payables	(1,236)
Rental deposits, current portion	(712)
Receipts in advance	(70)
Accruals and other payables	(530,090)
Amount due to a related party	(1,088)
Tax payable	(72,108)
Rental deposits, non-current portion	(16,570)
Deferred tax liabilities (Note 25)	(270,151)
Net assest acquired	2,968,122
Cash outflow to acquire business, net of cash acquired:	
Purchase consideration settled in cash	1,205,705
Cash and cash equivalents acquired	(242,643)
Cash outflow on acquisition	963,062



32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 December 2018, the Group was significantly influenced by Yuexiu Property Company Limited (incorporated in Hong Kong), which owns approximately 36% (2017: 37%) of Yuexiu REIT's units. The remaining 64% (2017: 63%) of the units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 31 December 2018:

Connected/related companies	Relationship with Yuexiu REIT
Yuexiu Property Company Limited ("YXP") ¹	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") ¹	A subsidiary of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZ AM") ¹	A subsidiary of YXP
Guangzhou Yuexiu Yicheng Business Operation Management Co.,Ltd. (previously known as "Guangzhou Yicheng Property Management Ltd." ("Yicheng")) ¹	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") ¹	A subsidiary of YXP
Guangzhou Baima Business Operation Management Co. Ltd. ("Baima BM") ¹	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") ¹	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") ¹	A subsidiary of YXP
Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)") ¹	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ¹	A major shareholder of YXP
Guangzhou Yuexiu Holdings Limited ("GZYX") ¹	Immediate holding company of Yue Xiu
Guangzhou Yue Xiu Enterprises (Holdings) Ltd. ("YXE") ¹	A subsidiary of GZYX
Guangzhou City Construction and Development Group Co., Ltd. ¹	A subsidiary of YXE
Guangzhou Grandcity Development Ltd. ¹	A subsidiary of YXP
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZ JLL") ¹	A subsidiary of YXP
廣州市祥港房地產開發有限公司 ¹	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 ¹	A subsidiary of YXP
廣州東耀房地產開發有限公司 ¹	A subsidiary of YXP
Guangzhou Suiqiao Development Co., Ltd. ("Suiqiao") ¹	A subsidiary of Yue Xiu
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("GZYFHG") ^{1,2}	A subsidiary of GZYX
Guangzhou Yuexiu Financial Holdings Co., Ltd. ^{1,2}	A subsidiary of GZYFHG
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng") ^{1,2}	A subsidiary of GZYFHG
Guangzhou Securities Co., Limited ^{1,2}	A subsidiary of GZYFHG
Guangzhou Futures Co., Ltd. ^{1,2}	A subsidiary of GZYFHG
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. ^{1,2}	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Leasing Co., Ltd. ^{1,2}	A subsidiary of GZYFHG

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Yue Tong Expressway Operations and Management Company Limited ("Yue Tong") ¹	A subsidiary of Yue Xiu
Guangzhou Yue Peng Information Ltd. ("Yue Peng") ¹	A subsidiary of Yue Xiu
Yuexiu (China) Transport Infrastructure Investment Company Limited ¹	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch (previously known as Chong Hing Bank Ltd. Guangzhou Sub-Branch) ("Chong Hing Tianhe") ¹	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Sub-Branch ("Chong Hing Guangzhou") ¹	A subsidiary of Yue Xiu
Chong Hing Bank Limited Shanghai Branch ("Chong Hing Shanghai") ¹	A subsidiary of Yue Xiu
Guangzhou Paper Group Ltd. ¹	A subsidiary of YXE
Guang Zhou Titanium Dioxide Factory ¹	A subsidiary of YXE
廣州市城建開發集團名特網絡發展有限公司 ¹	A subsidiary of YXP
廣州悅停網絡科技有限公司 ¹	A subsidiary of YXP
廣州鵬燁貿易有限公司 ¹	A subsidiary of YXP
廣州友誼集團有限公司 ^{1,2}	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Technology Co., Ltd. ^{1,2}	A subsidiary of GZYFHG
Shanghai Yuexiu Finance Leasing Co., Ltd. ^{1,2}	A subsidiary of GZYFHG
武漢越秀商業管理有限公司 (previously known as "武漢越秀維港商業管理有限公司") ¹	A subsidiary of YXP
武漢康景實業投資有限公司 ¹	A subsidiary of YXP
廣州城建開發設計院有限公司 ¹	A subsidiary of YXP
廣州越秀地產工程管理有限公司 ¹	A subsidiary of YXP
廣州越秀商業地產投資管理有限公司 ¹	A subsidiary of YXP
Yue Xiu Consultants (Shenzhen) Co., Ltd ¹	A subsidiary of Yue Xiu
杭州越秀房地產開發有限公司 ¹	A subsidiary of YXP
杭州越榮房地產開發有限公司 ¹	A subsidiary of YXP
杭州盛寅房地產開發有限公司 ¹	A subsidiary of YXP
杭州豐勝房地產開發有限公司 ¹	A subsidiary of YXP
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Savills Valuation and Professional Services Limited (the "Incumbent Valuer")	The current principal valuer of Yuexiu REIT
Vigers Appraisal and Consulting Limited (the "Former Valuer")	The former principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

¹ These connected companies are also considered as related companies of the Group, transactions and balances carried out with these related companies are disclosed in notes (a) and (b) below.

² These connected companies became related companies of the Group from 17 August 2017.



NOTES TO THE FINANCIAL STATEMENTS

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The following transactions and balances were carried out with connected companies and related companies:

(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES

	2018 RMB'000	2017 RMB'000
Asset management fee paid/payable to the Manager (ii)	(147,263)	(133,836)
Management fee paid/payable to Yicheng	(16,359)	(10,851)
Management fee paid/payable to Baima BM	(11,022)	(10,964)
Management fee paid/payable to GZAM	(19,621)	(18,656)
Rental income received/receivable from Xingye	6,567	5,132
Rental income received/receivable from Yicheng	14,387	2,409
Rental income received/receivable from GCCD	11,018	10,533
Rental income received/receivable from White Horse JV	1,203	1,236
Rental income received/receivable from Guangzhou Securities Company Limited	31,706	11,580
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	5,184	1,513
Rental income received/receivable from GZ JLL	15,323	14,572
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	423	304
Rental income received/receivable from GZAM	9,812	9,120
Rental income received/receivable from Guangzhou Yuexiu Financial Holdings Co., Ltd	9,060	4,604
Rental income received/receivable from GZYFHG	3,039	—
Rental income received/receivable from Yue Tong	773	769
Rental income received/receivable from Yue Peng	789	786
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	8,718	8,678
Rental income received/receivable from YXE	34,028	32,102
Rental income received/receivable from Chong Hing Tianhe	2,070	2,698
Rental income received/receivable from Chong Hing Guangzhou	417	305
Rental income received/receivable from Chong Hing Shanghai	518	519
Rental income received/receivable from Guangzhou Paper Group Ltd.	271	271
Rental income received/receivable from Guangzhou Titanium Dioxide Factory	271	271

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (Continued)

	2018 RMB'000	2017 RMB'000
Rental income received/receivable from 廣州市祥港房地產開發有限公司	—	2,801
Rental income received/receivable from 廣州市宏錦房地產開發有限公司	17,619	17,619
Rental income received/receivable from Guangzhou Futures Company Limited	2,843	1,067
Rental income received/receivable from 廣州東耀房地產開發有限公司	4,331	3,891
Rental income received/receivable from 廣州市城建開發集團名特網絡發展有限公司	100	92
Rental income received/receivable from 廣州悅停網絡科技有限公司	191	145
Rental income received/receivable from 廣州鵬燁貿易有限公司	1,104	683
Rental income received/receivable from 廣州友誼集團有限公司	32,328	12,131
Rental income received/receivable from Guangzhou Yuexiu Financial Technology Co., Ltd.	1,147	326
Rental income received/receivable from Shanghai Yuexiu Finance Leasing Co., Ltd	3,768	1,414
Rental income received/receivable from 武漢越秀商業管理有限公司	1,954	40
Rental income received/receivable from 武漢康景實業投資有限公司	20,096	136
Rental income received/receivable from 廣州城建開發設計院有限公司	390	5
Rental income received/receivable from 廣州越秀地產工程管理有限公司	2,319	7
Rental income received/receivable from Guangzhou Grandcity Development Ltd	2,113	2,113
Rental income received/receivable from Guang Zheng	2,226	854
Rental income received/receivable from Suiqiao	595	592
Rental income received/receivable from 廣州越秀商業地產投資管理有限公司	527	—
Rental income received/receivable from Yuexiu Consultants (Shenzhen) Limited	523	—
Rental income received/receivable from 杭州越秀房地產開發有限公司	31	—
Rental income received/receivable from 杭州越榮房地產開發有限公司	5	—
Rental income received/receivable from 杭州盛寅房地產開發有限公司	4	—



NOTES TO THE FINANCIAL STATEMENTS

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (Continued)

	2018 RMB'000	2017 RMB'000
Rental income received/receivable from 杭州豐勝房地產開發有限公司	9	—
Interest income received/receivable from GCCD	21,698	19,568
Trustee fee paid/payable to Trustee	(10,710)	(10,230)
Valuation fee paid/payable to the Former Valuer	—	(875)
Valuation fee paid/payable to the Incumbent Valuer	(1,439)	(318)
Interest expense paid/payable to GCD (China)	(18,474)	(360)
Interest expense paid/payable to the HSBC Group	(22,158)	(10,327)
Interest income received/receivable from the HSBC Group	3	—
Interest expense paid/payable to the Chong Hing Tianhe	(14,662)	(16,604)
Interest income received/receivable from the Chong Hing Tianhe	399	—

Note:

- (i) All transactions with connected/related companies were carried out in accordance with the terms of the relevant agreements governing the transactions.
- (ii) The Manager's fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the deposited property; a service fee of 3% per annum of net property income; a transaction fee of 1% of the consideration for the acquisition of any real estate from external party and a transaction fee of 0.5% of the gross sale price of the disposal of any part of deposited property comprising of real estate, as defined in the Trust Deed (Note 8).

(B) BALANCES WITH RELATED COMPANIES

	2018 RMB'000	2017 RMB'000
Amount due from GCCD (i)	238,915	266,357
Amount due to Yicheng	(6,456)	(1,930)
Amount due to Baima BM	(696)	(698)
Amount due to the Manager	(77,670)	(68,883)
Amount due to GZAM	(1,676)	(1,610)
Amount due to GCD (China)	(6,729)	(804,283)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	(10,000)	(10,000)
Bank borrowing from Chong Hing Tianhe	(290,400)	(361,000)
Rental deposits from related companies (ii)	(51,897)	(40,883)

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(B) BALANCES WITH RELATED COMPANIES (Continued)

An amount due from GCCD of approximately RMB227 million (2017: RMB254 million) is unsecured, interest bearing at 9% per annum and repayable on settlement of the related construction fee payable. The remaining amount is unsecured, interest free and repayable on demand.

All other balances with related companies are unsecured, interest-free, repayable on demand and a reasonable approximation to their fair value.

All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

- (i) Pursuant to the settlement agency agreement entered into between GCCD and Tower Top, GCCD would be responsible for settling the outstanding construction costs related to the construction of Guangzhou IFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Tower Top. The receivable balance of RMB239 million (2017: RMB266 million) as at year end represents the initial amount transferred to GCCD less the settlement of construction payable. The remaining amount will be paid to GCCD when the receivable balance is less than or equal to RMB100 million.
- (ii) Rental deposits from related companies are included as rental deposits in the consolidated balance sheet.

(C) KEY MANAGEMENT COMPENSATION

There was no key management compensation for the year ended 31 December 2018 (2017: nil).

33 CAPITAL COMMITMENTS

	2018 RMB'000	2017 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties		
Contracted but not provided for	21,832	16,120



NOTES TO THE FINANCIAL STATEMENTS

34 FUTURE MINIMUM RENTAL RECEIVABLE

The future minimum rental receivable under non-cancellable operating leases are as follows:

	2018 RMB'000	2017 RMB'000
Within one year	1,202,567	1,161,671
Between one year and five years	1,918,346	1,564,887
Over five years	133,985	176,550
	3,254,898	2,903,108

35 NET DEBT RECONCILIATION

	Other assets		Liabilities from financing activities		Total RMB'000
	Cash and cash equivalents RMB'000	Short term deposits RMB'000	Borrowings - repayable within one year RMB'000	Borrowings - repayable after one year RMB'000	
Net debt as at 1 January 2017	1,180,828	22,400	(1,503,357)	(10,421,629)	(10,721,758)
Cash flows	123,076	4,302	—	—	127,378
Proceeds from new bank borrowings	—	—	—	(3,777,732)	(3,777,732)
Repayment of bank borrowings	—	—	1,543,257	907,238	2,450,495
Other non-cash movements	—	—	(4,448,374)	4,969,824	521,450
Net debt as at 31 December 2017	1,303,904	26,702	(4,408,474)	(8,322,299)	(11,400,167)
Net debt as at 1 January 2018	1,303,904	26,702	(4,408,474)	(8,322,299)	(11,400,167)
Cash flows	154,851	(4,069)	—	—	150,782
Proceeds from new bank borrowings	—	—	—	(5,276,630)	(5,276,630)
Repayment of bank borrowings	—	—	500,000	4,183,244	4,683,244
Other non-cash movements	—	—	1,631,931	(2,183,500)	(551,569)
Net debt as at 31 December 2018	1,458,755	22,633	(2,276,543)	(11,599,185)	(12,394,340)

PERFORMANCE TABLE

As at 31 December 2018

	2018	2017	2016	2015	2014
Net assets attributable to unitholders (RMB)	14,454,122,000	14,321,384,000	13,534,400,000	13,400,472,000	13,141,954,000
Net asset attributable to unitholders per unit (including net assets attributable to deferred unitholder) (RMB)	4.65	4.75	4.63	4.74	4.69
(Equivalent to HK\$)	5.41	5.68	5.18	5.66	5.95
The highest premium of the traded price to net asset value (HK\$)	0.19⁽ⁱ⁾	N/A	N/A	N/A	N/A
The highest discount of the traded price to net asset value (HK\$)	0.72⁽ⁱ⁾	1.60 ⁽ⁱ⁾	1.36	1.79	2.36
Net yield per unit	6.20%	9.57% ⁽ⁱⁱ⁾	6.83%	7.68%	10.76%
Number of units in issue (units)	3,106,450,427	3,014,285,896	2,921,780,484	2,828,887,374	2,799,795,685

Notes:

- (i) The highest premium is calculated based on the highest traded price of HK\$5.6 (2017: HK\$5.3) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2018. The highest discount is calculated based on the lowest traded price of HK\$4.69 (2017: HK\$4.08) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2018.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with unitholders per unit for the year ended 31 December 2017 over the closing price of HK\$5.02 (2017: HK\$5.12) as at 31 December 2018.



FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of Yuexiu REIT for the last five financial years is set out below

	Year ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Results					
Profit after tax before transactions with Unitholders	966,519	1,437,095	712,144	740,683	927,967

	As at 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Assets and Liabilities					
Total assets	35,835,066	35,335,724	30,621,275	29,335,052	25,362,604
Total Liabilities, other than net assets attributable to Unitholders	20,239,132	19,926,920	16,986,891	15,841,936	12,133,950
Net assets attributable to Unitholders	14,454,122	14,321,384	13,534,400	13,400,472	13,141,954

CORPORATE AND INVESTOR RELATIONS INFORMATION



BOARD OF DIRECTORS OF THE MANAGER

EXECUTIVE DIRECTORS

Mr. Lin Deliang (*appointed as chairman on 14 August 2018*)

Mr. Cheng Jiuzhou

NON-EXECUTIVE DIRECTOR

Mr. Lin Zhaoyuan (*assigned on 14 August 2018*)

Mr. Li Feng

Mr. Liang Danqing (*appointed on 14 August 2018*)

INDEPENDENT NON-EXECUTIVE DIRECTORS & AUDIT COMMITTEE MEMBERS

Mr. Chan Chi On, Derek

Mr. Chan Chi Fai, Brian

Mr. Cheung Yuk Tong

Mr. Chen Xiaoou

RESPONSIBLE OFFICERS OF THE MANAGER

Mr. Lin Deliang

Mr. Cheng Jiuzhou

Mr. Kwan Chi Fai

COMPANY SECRETARY OF THE MANAGER

Mr. Yu Tat Fung

CHIEF FINANCIAL OFFICER OF THE MANAGER

Mr. Kwan Chi Fai



CORPORATE AND INVESTOR RELATIONS INFORMATION

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

AUDITOR OF YUEXIU REIT

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL VALUER

Savills Valuation and Professional Services Limited

HONG KONG LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKERS OF YUEXIU REIT

Bank of China (Hong Kong) Limited
DBS Bank Ltd., Hong Kong Branch
Dah Sing Bank, Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Malayan Banking Berhad Group
OCBC Wing Hang Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITES TO ACCESS INFORMATION IN RELATION TO YUEXIU REIT

<http://www.yuexiureit.com>

<http://www.hkex.com.hk>

REGISTERED OFFICE OF THE MANAGER

Flat B, 17/F
Yue Xiu Building
160 Lockhart Road
Wanchai, Hong Kong

UNIT REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

LISTING EXCHANGE

UNITS:

The Stock Exchange of Hong Kong Limited-00405

BOND:

The Stock Exchange of Hong Kong Limited
US\$400,000,000 4.75 per cent. Notes due 2021
(Stock code: 04477)



CORPORATE AND INVESTOR RELATIONS INFORMATION

INVESTOR RELATIONS

For further information about
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